

STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 14, 2018

The Honorable Vicki Schmidt, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441-E
Topeka, Kansas 66612

Dear Senator Schmidt:

SUBJECT: Fiscal Note for SB 304 by Senate Committee on Public Health and Welfare

In accordance with KSA 75-3715a, the following fiscal note concerning SB 304 is respectfully submitted to your committee.

SB 304 would establish restrictions on health insurance use of step therapy protocols. The bill would mandate how health insurance may structure step therapy programs and would establish the ability for providers to override step therapy protocols.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$1,002,010	\$2,834,000
FTE Pos.	--	--	--	0.50

The Kansas Department of Health and Environment (KDHE) states that SB 304 includes language eliminating certain patients from being subject to step therapy protocols. KDHE estimates an increase in State Employee Health Plan expenditures of \$530,000 in FY 2019 and \$1,060,000 in future fiscal years. Since the effective date of the bill's provisions would be January 1, 2019, increased expenditures for FY 2019 would be approximately half of the annual increase.

Enactment of SB 304 would also increase annual expenditures in the Medicaid and Children's Health Insurance (CHIP) programs. KDHE estimates additional annual pharmacy expenditures of \$2,257,500 in Medicaid and CHIP in FY 2019 and \$4,515,000 in subsequent years.

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KDHE would create a Step Therapy Guidelines Committee to draft the guidelines. The new committee would include four pharmacists and four physicians. The committee's decisions would be subject to approval by the Medicaid Drug Utilization Review (DUR) Board. Additional expenditures for the new committee and final review by the DUR Board are estimated at \$19,000 in FY 2019 and \$38,000 in subsequent years. KDHE would also require an additional one-half time Kansas Licensed Pharmacist position at a cost of \$27,500 in FY 2019 and \$55,000 per year beginning in FY 2020.

The total annual increase in expenditures for the State Employee Health Plan, Medicaid, CHIP and KDHE administrative costs would be \$5,668,000, including \$2,004,020 from the State General Fund. Since the effective date of the bill's provisions would be January 1, 2019, increased expenditures for FY 2019 would be approximately half of the annual increase. Any fiscal effect associated with SB 304 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Glenda Haverkamp, Insurance
Dan Thimmesch, Health & Environment
Alexandra Blasi, Board of Pharmacy