

February 10, 2017

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 82 by Senate Committee on Public Health and Welfare

In accordance with KSA 75-3715a, the following fiscal note concerning SB 82 is respectfully submitted to your committee.

SB 82 would require every provider of a health insurance plan that is issued or renewed on or after January 1, 2018, that utilizes a step therapy protocol must establish guidelines governing the use of the protocol using clinical review criteria. These guidelines would be subject to the following requirements and must:

1. Recommend that the prescription drugs be taken in the specific sequence required by the provider;
2. Be developed and endorsed by a multidisciplinary panel of medical experts that manage conflicts of interest among the members, with certain conditions;
3. Be based on high quality studies, research and medical practice;
4. Be created by an explicit and transparent process that minimizes bias and conflict of interest, explains the relationship between treatment options and outcomes, rates the quality of evidence supporting the panel's recommendations and considers relevant patient subgroups and preferences;
5. Be continuously updated through review of new evidence, research and newly developed treatments; and,
6. Use peer-reviewed publications to develop the step therapy protocol in the absence of clinical practice guidelines that satisfy the requirements of the bill.

When a health insurance plan restricts coverage of a prescription drug for the treatment of any medical condition pursuant to a step therapy protocol, the plan provider must provide the prescribing healthcare provider access to a clear, convenient and readily accessible process to request an override of the step therapy protocol and make the process for override accessible on the provider's website. When a health insurance plan restricts coverage of a prescription drug

pursuant to a step therapy protocol, the bill would outline reasons to expeditiously grant an override, including if a patient is stable on a prescription drug selected by a healthcare provider for the medical condition under consideration while on a current or previous health insurance plan.

The bill would require the Insurance Department to adopt rules and regulations to administer the provisions of the bill prior to January 1, 2018.

According to the Kansas Department of Health and Environment, the bill would require automatic exceptions to a step therapy protocol based upon medical necessity, which would result in additional annual prescription drug costs to the State Employee Health Plan (SEHP) totaling approximately \$1.0 million. This estimate is based upon analysis by the SEHP's pharmacy vendor. Because the bill would be effective January 1, 2018, the net fiscal effect would only be for half of the year, totaling \$500,000 in FY 2018. For FY 2019, KDHE estimates additional annual prescription drug costs to the SEHP totaling \$1,075,000 and \$1,150,250 in FY 2020. The agency notes that a 7.5 percent cost increase for FY 2019 and a 7.0 percent cost increase for FY 2020 were used in its estimates.

For KanCare and the Children's Health Insurance Program, KDHE estimates the bill would require six months of additional program expenditures in FY 2018 totaling \$2,153,000 from all funding sources, including \$944,091 from the State General Fund and \$1,208,909 from federal funds. Of the total amount, \$2,150,000 would fund prescription drugs and \$3,000 would fund administrative costs associated with two meetings of the Drug Utilization Review Board at a cost of \$1,500 for each meeting. For FY 2019, the agency estimates additional costs totaling \$4,521,000 from all funding sources, including \$2,029,477 from the State General Fund and \$2,491,523 from federal funds. Of the total amount, \$4,515,000 would fund prescription drugs and \$6,000 would fund four meetings of the Drug Utilization Review Board. For FY 2020, the agency estimates additional costs totaling \$4,746,750 from all funding sources, including \$2,148,379 from the State General Fund and \$2,598,371 from federal funds. Of the total amount, \$4,740,750 would fund prescription drugs and \$6,000 would fund four meetings of the Drug Utilization Review Board. Costs for each year were based upon analysis by the program's pharmacy vendor.

In addition, the agency notes that the fiscal effect on local government health insurance plans would depend on how pharmacy benefits are structured and cannot be estimated. Any fiscal effect associated with SB 82 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Glenda Haverkamp, Insurance
Dan Thimmesch, Health & Environment