

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** PCB HCA 09A-01 Health Care  
**SPONSOR(S):** Health Care Appropriations Committee  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 08A

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.:	Health Care Appropriations Committee		Hicks	Pridgeon
1)				
2)				
3)				
4)				
5)				

**SUMMARY ANALYSIS**

This bill makes statutory changes to implement the funding decisions included in the proposed Special Appropriations Act for Fiscal Year 2008-2009. The bill amends several provisions in Chapter 409, F.S.

- The bill reduces pharmacy reimbursement rates for providers of Medicaid prescribed drugs to the lesser of the average wholesale price minus 18.4 percent or the wholesaler acquisition price plus 2.75 percent, the federal upper limit, the state maximum allowable cost, or the usual and customary charge billed by the provider.
- This bill reduces reimbursement rates to pharmacies for Medicaid prescribed drugs to the lesser of the average wholesale price minus 18.4 percent or the wholesaler acquisition price plus 2.75 percent, the federal upper limit, the state maximum allowable cost, or the usual and customary charge billed by the provider.

The bill provisions allow for a reduction of \$1.5 million in General Revenue and a reduction of \$70,938 in Tobacco Settlement Trust Funds in Fiscal Year 2008-09 and a \$3.0 million General Revenue reduction in Fiscal Year 2009-10.

The bill has an effective date of March 1, 2009.

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives:

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

Prescribed drug services are optional services in the Medicaid program. Currently, prescribed drugs are reimbursed to pharmacies at the lesser of the average wholesale price minus 16.4 percent, the wholesaler acquisition cost plus 4.75 percent, the federal upper limit, the state maximum allowable cost, or the usual and customary charge billed by the provider.<sup>1</sup> "Average wholesale price" refers to the drug manufacturer's sticker price, or list price, for a drug. It is a figure reported by commercial publisher of drug pricing data based on wholesale pricing information provided to them by drug manufacturers.<sup>2</sup> "Wholesaler acquisition cost" refers to the manufacturer's charge to the wholesaler to purchase the drug.<sup>3</sup> "Federal upper limit" refers to a federal payment ceiling that applies to drugs with three or more generic versions.<sup>4</sup> "Maximum allowable cost" refers to the upper limit price that a purchaser, such as a state Medicaid program or health plan, will reimburse for multiple source medications or medications for which generics are available.<sup>5</sup>

The bill reduces reimbursement for prescribed drugs to the lesser of the average wholesaler price minus 18.4 percent or the wholesaler acquisition price plus 2.75 percent, the federal upper limit, the state maximum allowable cost, or the usual and customary charge billed by the provider.

---

<sup>1</sup> ss. 409.908(14); 409.912(39), F.S.

<sup>2</sup> National Health Policy Forum, Issue Brief No. 775, George Washington University, June 2002, available at <http://nhpf.ags.com/pubs/pubs.htm#2002>.

<sup>3</sup> Id.

<sup>4</sup> Id.

<sup>5</sup> Id.

B. SECTION DIRECTORY:

Section 1. Amending s. 409.908, F.S.; relating to reimbursement of Medicaid providers.

Section 2. Amending s. 409.912, F.S.; relating to cost effective purchasing of health care.

Section 3. Providing an effective date of March 1, 2009.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Federal Medicaid funding will be reduced by \$2.0 million in Fiscal Year 2008-09 and \$3.8 in Fiscal Year 2009-10 as a result of reducing pharmacy ingredient price reimbursement.

2. Expenditures:

	<b>FY 2008-09</b>	<b>FY 2009-10</b>
<b>Pharmacy Ingredient Cost Adjustment</b>		
General Revenue Fund	(\$1,521,435)	(\$3,049,310)
Tobacco Settlement Trust Fund	(\$ 70,938)	
Medical Care Trust Fund	<u>(\$2,003,094)</u>	<u>(\$3,837,364)</u>
<b>Total</b>	<b>(\$3,595,467)</b>	<b>(\$6,886,994)</b>

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The pharmaceutical industry may represent that reducing pharmacy ingredient price reimbursement would further diminish its already small profit margin.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to: require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The agency has sufficient rulemaking authority to implement the provisions of the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

#### **IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**