

HF3196 - 1E - "Step Therapy Override"

Chief Author: **Kelly Fenton**
 Committee: **State Government Finance**
 Date Completed: **04/16/2018**
 Lead Agency: **Human Services Dept**
 Other Agencies:
 Commerce Dept Health Dept
 Minn Management and
 Budget

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Minn Management and Budget						
General Fund	-	-	119	239	239	
All Other Funds	-	-	254	507	507	
State Total						
General Fund	-	-	119	239	239	
All Other Funds	-	-	254	507	507	
Total	-	-	373	746	746	
Biennial Total			373			1,492

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Minn Management and Budget					
General Fund	-	-	-	-	-
All Other Funds	-	-	-	-	-
Total	-	-	-	-	-

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Ahna Minge Date: 04/16/2018
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
Minn Management and Budget						
General Fund		-	-	119	239	239
All Other Funds		-	-	254	507	507
Total		-	-	373	746	746
Biennial Total				373		1,492
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Minn Management and Budget						
General Fund		-	-	119	239	239
All Other Funds		-	-	254	507	507
Total		-	-	373	746	746
Biennial Total				373		1,492
2 - Revenues, Transfers In*						
Minn Management and Budget						
General Fund		-	-	-	-	-
All Other Funds		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

HF3196 - 1E - "Step Therapy Override"

Chief Author: **Kelly Fenton**
 Committee: **State Government Finance**
 Date Completed: **04/16/2018**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

This legislation as amended modifies the criteria by which health plans may use step-therapy protocols within prior authorization criteria. Step therapy protocols in general require patients to use less expensive drugs within a therapeutic class before health plans will cover more expensive drugs.

Assumptions

This legislation exempts health plans administering Medical Assistance or MinnesotaCare. Therefore, this fiscal note assumes that the bill as amended has no impact on the DHS budget.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

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HF3196 - 1E - "Step Therapy Override"

Chief Author: **Kelly Fenton**
 Committee: **State Government Finance**
 Date Completed: **04/16/2018**
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill establishes a step therapy protocol for prescription drug coverage.

The 1A amendment deletes everything after the enacting clause. This bill makes changes to Minn. Stat. 62Q.

Section 1, subdivision 1 defines “clinical practice guidelines”, “clinical review criteria”, “health plan company”, “step therapy protocol” and “step therapy override”.

Section 1, subdivision 2 requires health plan companies to consider available evidence-based and peer-reviewed clinical practice guidelines when establishing step therapy criteria. Health plan company enrollees can request clinical review criteria for specific prescription drugs covered by the health plan.

Section 1, subdivision 3

Paragraph (a) requires health plan companies to provide convenient access to a step therapy override process for enrollees.

It further requires a health plan company to grant an override to the step therapy protocol if one of six outlined conditions exist.

Paragraph (b) requires a health plan company to cover a prescription drug after granting a step therapy override if it is covered under the enrollee’s plan.

Paragraph (c) allows an enrollee to appeal, or to designate a provider to appeal on his or her behalf, the denial of a step therapy override by a health plan company using the existing external appeal process in Minn. Stat. §62Q.68 through §62Q.73.

Paragraph (d) outlines specific requirements for what information must be provided by a health plan company as part of a step therapy override request or any subsequent appeal.

Paragraph (e) requires health plan companies to respond to a step therapy override request within five days or 72 hours for cases where exigent circumstances exist.

Paragraph (f) Step therapy override request must be accessible to and able to be submitted by health care providers.

Paragraph (g) allows health plan companies to request documentation from enrollee's medical history and to require enrollees to try a generic equivalent prior to providing coverage for an equivalent name brand prescription drug.

Paragraph (h) outlines that pharmaceutical samples shall not be allowed to meet the requirements of a step therapy override.

This bill is effective January 1, 2019.

Assumptions

The Commerce Department assumes health plan companies will file updated contract forms and procedures as part of the annual rate review process. Commerce assumes review of updated forms and procedures can be accomplished as part of the annual rate review process.

Commerce is responsible for managing external appeal requests under the external review process outlined in Minn. Stat. §62Q.68 through §62Q.73 Commerce contracts with three independent review organization vendors to perform the independent medical reviews in response to external appeal requests. Commerce assumes step therapy override requests would follow the current external appeal process and use the same independent review organizations currently under contract.

Commerce assumes that the number of external appeal requests would be minimal since under 62Q, consumers must exhaust the three-step internal appeal process. Additionally, from 2016 to the present, Commerce has not received an external appeal request involving a step therapy-related issue.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency Contact:

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HF3196 - 1E - "Step Therapy Override"

Chief Author: **Kelly Fenton**
 Committee: **State Government Finance**
 Date Completed: **04/16/2018**
 Agency: **Health Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

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Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
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Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The bill enacts section 62Q.184, establishing a process for overriding a health plan company’s step therapy protocol. Subdivision 1 defines “clinical practice guideline,” “clinical review criteria,” “health plan company,” “step therapy protocol,” and “step therapy override.” Managed care organizations, county-based purchasers, and integrated health partnerships are excluded from the definition of “health plan company.”

Subdivision 2 requires a health plan company to consider available recognized evidence-based and peer-reviewed clinical practice guidelines when establishing a step therapy protocol and to provide, upon request of an enrollee, clinical review criteria applicable to a covered prescription drug.

Paragraph (a) of subdivision 3 requires a health plan company to have a clear, accessible and convenient process to request a step therapy override and sets out conditions under which the health plan company just grant an override to the step therapy protocol. Paragraph (b) mandates that a health plan company authorize coverage for a drug in its formulary once it has granted an override. Paragraph (c) provides for appeal of denial of an override. Paragraph (d) requires a health plan company to state why an override request that has been denied did not meet the override condition cited by the prescribing provider and authorizes an external appeal. Paragraph (e) establishes a five-day turn-around for a step therapy override request or appeal, or a 72-hour turn-around in exigent circumstances. If a health plan company fails to timely respond, the request or appeal is granted. Paragraph (f) requires the ability to submit and accept requests through secure electronic transmission. Paragraph (g) allows a health plan company to request relevant documentation from an employee, to require an enrollee to try a generic equivalent drug or a biosimilar. Paragraph (h) prohibits the use of a pharmaceutical sample to meet requirements for a step therapy override. The bill does not contain an appropriation. The bill’s effective date is January 1, 2019.

Assumptions

The Managed Care Systems Section of the Minnesota Department of Health would enforce this legislation. This bill will require that Managed Care Section staff, in reviewing applications for new HMOs and annually for existing HMOs, verify that the HMO is responding to questions for clinical review criteria; that the HMO has a process for step therapy override, that the process matches the requirement set forth in statute, and that the HMO is following those steps; that the process for step therapy override is available on the HMO’s website; and that the HMO is following the protocol for override of step therapy protocols. In addition, this legislation may could result in a small increase in complaints given the additional requirements in statute. We assume that staff work necessary to implement the bill would be performed within the scope of existing duties.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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HF3196 - 1E - "Step Therapy Override"

Chief Author: **Kelly Fenton**
 Committee: **State Government Finance**
 Date Completed: **04/16/2018**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

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All Other Funds	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Cole St. Arnold Date: 4/11/2018 3:01:01 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

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All Other Funds	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-

Bill Description

HF3196 modifies step therapy and step therapy override protocols for prescription drug coverage with new rules when step therapy requirements can be utilized.

Assumptions

Bill Description

HF3196 modifies step therapy and step therapy override protocols for prescription drug coverage with new rules when step therapy requirements can be utilized.

- Background

MMB administers the State Employee Group Insurance Program (SEGIP) which provides health, dental, life and other benefits to eligible State employees and their dependents, and other groups including quasi-state agencies under the legislative authority provided in Minnesota Statutes 43A. Health benefits are provided through the self-funded Minnesota Advantage Health Plan.

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The Minnesota Advantage Plan paid approximately \$149,147,000 in prescription drug claims in 2017. SEGIP has a contract with a pharmacy benefit manager (PBM) to administer the prescription drug benefit. MMB, through its PBM, currently uses step therapy utilization management techniques that are the subject of this bill. Step therapy begins using the safest and most cost-effective drug available for a given condition. If sufficient progress is not attained, the member steps to the next safest and most cost-effective drug. Drugs subject to step therapy are costlier than the initial alternative offered. In certain circumstances, overrides allow members to skip step(s).

Currently, MMB, through its PBM, utilizes step therapy for three drugs:

- Cuprimine/Syprine a 30-day supply of Depen (reduces the level of lead in the body) is the required first step.
- Extended Release Opioid Immediate release opioid with a 7-day supply would be required as a first step.
- Prudoxin/Zonalon a 7-day supply of generic topical corticosteroid (dermatology usage) would be the required first step.

This bill would establish new rules governing when a claims administrator can require step therapy requirements for enrollees. MMB expects the added requirements of the bill to result in its PBM removing step therapy as a utilization management tool.

Assumptions

MMB expects the bill to increase prescription drug spending, due to lost savings currently achieved through step therapy utilization management, which are 0.5% of SEGIP's annual prescription drug costs. Thus, MMB expects prescription drug spending to increase by approximately \$746,000 per year. We did not include any estimate of potential added cost due to complications stemming from increased use of higher-risk drugs.

Expenditure and/or Revenue Formula

Legislation effective date	1/1/2019
Estimated prescription drug claims	\$149,147,000
Step Therapy override impact	.5%
Step therapy savings impact	\$746,000 annually

The expenditure costs were split between the general fund and all other funds using the percentage of state employee salary spending allocated to the funds.

Fiscal Year Cost Calculations	2017	2018	2019	2020	2021
Step therapy	\$0	\$0	\$373,000	\$746,000	\$746,000

Long-Term Fiscal Considerations

MMB expects the additional costs presented above will continue each year, which means that the impact of the legislation will continue over time.

Local Fiscal Impact

MMB expects local units of government will incur added expenses due to the changes in step therapy criteria. MMB cannot estimate the impact to local governments with reasonable certainty.

References/Sources

Program information from SEGIP, administered through MMB

Agency Contact: Galen Benschhof (651) 259-3703

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