

HF1257 - 1A - "Prescription Drug Benefit Transparency Req"

Chief Author: **Hunter Cantrell**  
 Committee: **Health & Human Services Finance Division**  
 Date Completed: **04/15/2019**  
 Lead Agency: **Commerce Dept**  
 Other Agencies:  
     Health Dept                      Human Services 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	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Minn Management and Budget</b>						
General Fund	-	16	31	31	31	31
All Other Funds	-	34	69	69	69	69
<b>State Total</b>						
General Fund	-	16	31	31	31	31
All Other Funds	-	34	69	69	69	69
<b>Total</b>	-	<b>50</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Biennial Total</b>			<b>150</b>			<b>200</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Minn Management and Budget</b>					
General Fund	-	-	-	-	-
All Other Funds	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**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: **Laurena Schlottach-Ratcliff**      Date: **04/15/2019**  
 Phone: **651 201-8043**                                      Email: **laurena.schlottach-ratcliff@state.mn.us**

**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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Minn Management and Budget</b>						
General Fund		-	16	31	31	31
All Other Funds		-	34	69	69	69
<b>Total</b>		<b>-</b>	<b>50</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Biennial Total</b>				<b>150</b>		<b>200</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Minn Management and Budget						
General Fund		-	16	31	31	31
All Other Funds		-	34	69	69	69
<b>Total</b>		<b>-</b>	<b>50</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Biennial Total</b>				<b>150</b>		<b>200</b>
<b>2 - Revenues, Transfers In*</b>						
Minn Management and Budget						
General Fund		-	-	-	-	-
All Other Funds		-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>				<b>-</b>		<b>-</b>

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Chief Author: **Hunter Cantrell**  
 Committee: **Health & Human Services Finance Division**  
 Date Completed: **04/15/2019**  
 Agency: **Commerce 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	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>	-	-	-	-	-

**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: **Laurena Schlottach-Ratcliff** Date: **4/8/2019 7:39:34 PM**  
 Phone: **651 201-8043** Email: **laurena.schlottach-ratcliff@state.mn.us**

**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.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

House File 1257 requires health plan companies to make formulary and related benefit information available at least 30 days prior to renewal dates, and establishes requirements for health plan company formulary changes. The legislation requires prescription drug formularies and related benefit information, including enrollees cost sharing and out of pocket costs for each item on the formulary to be made available electronically and in writing upon request for purposes of disclosure and transparency.

The bill allows a health plan company to change utilization review requirements or move drugs to a higher cost benefit category that increases enrollee costs during a contract year, only with 60 days' notice, and provides that the changes do not apply to enrollees taking the drugs for the duration of the contract year. In addition, the health plan company can remove a brand name drug from the formulary or place the drug in a higher cost benefit category only if a generic or equivalent drug at a lower cost to the enrollee is added with at least 60 days' notice. A health plan company may also make formulary changes based on Food and Drug Administration (FDA) recommended changes due to safety concerns.

The A1 amendment changes the definition of "Enrollee contract year" to be called instead "Enrollee contract term". The language was also changed so that managed care plans and county-based purchasing plans would have a term of one calendar quarter instead of a whole year. The amendment updated the rest of the bill to update all future references to this definition to say "Enrollee contract term".

**Assumptions**

The Minnesota Department of Commerce reviews form and rate filings as part of the rate review process. This includes reviewing insurance and health plan contract filings for compliance with Minnesota law. The Minnesota Department of Commerce assumes no new costs to the agency and that the additional workload from the legislation will be absorbed within the current rate review and enforcement processes and will not cause any additional costs.

**Expenditure and/or Revenue Formula**

N/A

**Long-Term Fiscal Considerations**

N/A

**Local Fiscal Impact**

N/A

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Amy Trumper

**Phone:** 651 539-1517

**Date:** 4/8/2019 9:35:25 AM

**Email:** amy.trumper@state.mn.us

**HF1257 - 1A - "Prescription Drug Benefit Transparency Req"**

Chief Author: **Hunter Cantrell**  
 Committee: **Health & Human Services Finance Division**  
 Date Completed: **04/15/2019**  
 Agency: **Health Dept**

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

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<b>State Cost (Savings)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>	-	-	-	-	-	-

**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: Chardae Kimber      Date: 4/5/2019 7:31:51 PM  
 Phone: 651 259-3617      Email: chardae.kimber@state.mn.us

**State Cost (Savings) Calculation Details**

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

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill requires health plan companies that provide prescription drug benefit coverage and use a formulary to disclose their formulary at least 30 days prior to annual renewal dates, including disclosure of enrollee costs for each item on the formulary. The bill also makes explicit allowances and prohibitions for health plan company changes to formularies during a contract term. These requirements also apply to managed care plans and county-based purchasing plans offering coverage under the Medical Assistance Program.

**Assumptions**

To ensure compliance with this bill, the Department of Health’s (MDH) Managed Care Systems program would require that health maintenance organizations include in their member handbook (also called the “certificate of coverage” [COC] or “evidence of coverage”) a statement regarding the new disclosure requirements for formularies.

Actions to implement this would include the following:

- In the first year, MDH would notify health maintenance organizations of this new requirement.
- Annually, when MDH reviews health plan documentation for compliance with state and federal laws and rules, MDH would verify that a statement is included in the COC.
- If the COC for a health plan were missing this statement, MDH would send an objection to the company and require that they correct their COC. MDH would not approve health plans to be offered in the commercial market absent this statement.

This new requirement may lead to a small increase in enrollee complaints during the first year of implementation as enrollees learn about their protections under the language. MDH would receive each complaint and work with the complainant and the health maintenance organization to resolve the complaint, using existing processes.

MDH assumes we can notify health maintenance organizations of this new requirement as part of an existing annual notification process that covers all recent changes in state law. MDH will coordinate the notification process with the Department of Commerce, which is responsible for regulating commercial insurance companies. MDH assumes we can undertake reviews pertaining to this new requirement for health plan certificates of coverage with current staff and resource levels, as these activities represent only a very minor extension of work that MDH already conducts to review COCs annually. Because filing fees are not linked to the outcome of MDH’s review, there would be no gain or loss of revenue for the Managed Care System at MDH. As a result, there would be no fiscal impact associated with this bill.

**Expenditure and/or Revenue Formula**

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Brian Awsumb

**Phone:** 651 201-5235

**Date:** 3/25/2019 12:58:00 PM

**Email:** [brian.awsumb@state.mn.us](mailto:brian.awsumb@state.mn.us)



**HF1257 - 1A - "Prescription Drug Benefit Transparency Req"**

Chief Author: **Hunter Cantrell**  
 Committee: **Health & Human Services Finance Division**  
 Date Completed: **04/15/2019**  
 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

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<b>State Cost (Savings)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>	-	-	-	-	-

**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: Angela Vogt      Date: 3/25/2019 9:18:18 PM  
 Phone: 651 201-8036      Email: angela.vogt@state.mn.us

**State Cost (Savings) Calculation Details**

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

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill requires that a health plan must be able to make its formulary and benefit coverage information available upon request, at least 30 days prior to annual renewal dates.

Health plans may change their established formulary during an enrollee’s contract term if it is adding drugs, reducing co-payments or coinsurance, or moving a drug to a benefit category that reduces the enrollee’s cost. Brand name drugs may be removed if an alternative that is determined to be therapeutically equivalent is available on the formulary at a lower cost to the enrollee. Health plans may change the utilization review requirements of drugs if they provide a 60 day notice and provide that enrollees currently taking the drug are not impacted by the change until the end of their contract term.

Health plans may remove drugs under select circumstances, including when the drug has been deemed unsafe by the Food and Drug Administration.

**Assumptions**

This bill requires the Department of Human Services (DHS) to disclose its formulary and pharmacy benefits to an enrollee upon request. This information is already available to Medical Assistance (MA) and MinnesotaCare enrollees upon request, DHS assumes no modification in business practices is needed to comply with this requirement.

This bill also limits the removal or adjustment of drugs, cost sharing, and utilization review requirements during a contract term. DHS updates its covered prescriptions on a quarterly basis which falls within the permissible changes under this bill. DHS assumes no modification in business practices is needed to comply with this requirement.

**Expenditure and/or Revenue Formula**

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:** Sarah Orange 651 431-2151

**Agency Fiscal Note Coordinator Signature:** Elyse Bailey

**Phone:** 651 431-2932

**Date:** 3/25/2019 7:56:24 PM

**Email:** elyse.bailey@state.mn.us

**HF1257 - 1A - "Prescription Drug Benefit Transparency Req"**

Chief Author: **Hunter Cantrell**  
 Committee: **Health & Human Services Finance Division**  
 Date Completed: **04/15/2019**  
 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	

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) Dollars in Thousands	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
<b>General Fund</b>	-	16	31	31	31
<b>All Other Funds</b>	-	34	69	69	69
<b>Total</b>	-	<b>50</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Biennial Total</b>			<b>150</b>		<b>200</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	-	-
All Other Funds	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**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: Marianne Conboy      Date: 4/15/2019 3:14:15 PM  
 Phone: 651 201-8189      Email: marianne.conboy@state.mn.us

**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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	
General Fund	-	16	31	31	31	
All Other Funds	-	34	69	69	69	
<b>Total</b>	<b>-</b>	<b>50</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
			<b>Biennial Total</b>			<b>200</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	16	31	31	31	
All Other Funds	-	34	69	69	69	
<b>Total</b>	<b>-</b>	<b>50</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
			<b>Biennial Total</b>			<b>200</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
All Other Funds	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
			<b>Biennial Total</b>			<b>-</b>

**Bill Description**

HF 1257-1A amends Minnesota Statutes to require a health plan to provide prescription drug benefit coverage and formulary information available by electronic means, and upon request in writing, at least 30 days prior to the annual renewal dates; and limits prescription drug formulary changes during a contract year.

**Assumptions**

MMB administers the State Employee Group Insurance Program (SEGIP) which provides health, dental, life and other benefits to eligible State employees and their dependents, as well as quasi-state agencies. Health benefits are provided through the self-funded Minnesota Advantage Health Plan. The Minnesota Advantage Health Plan paid for over 1.1 million prescription drug claims in 2018, at a cost of approximately \$163,890,000. SEGIP has a contract with a pharmacy benefit manager (PBM) to administer its prescription drug benefit.

Section 1 subd. 3 prohibits replacing a branded drug through the end of a plan year unless it is replaced with a generic or a multisource brand drug rated as therapeutically equivalent, an interchangeable biologic drug, or if the cost to the enrollee is less.

These changes will affect the approach used to manage the formulary that covers SEGIP members. Currently SEGIP uses a standard formulary that is maintained and managed on a quarterly basis by the PBM using the same process applied to its other clients. The bill might result in the PBM needing to move to a manual process, making SEGIP's formulary customized. MMB expects a customized formulary will increase administrative costs by \$100,000 annually.

In rare situations, SEGIP may see another possible cost from this bill. If a new single-source brand drug became available on the market, and that new drug is equivalent and lower cost to the plan than the single-source brand drug currently on the formulary, the PBM would not be able to substitute the new, cheaper drug until the new plan year and SEGIP will miss out on possible savings for a number of months. However, because so few single-source brand drugs have a single-source brand drug as a therapeutic equivalent, MMB is not reflecting a fiscal impact from this portion of the legislation.

Effective Date 1/1/2020

**Expenditure and/or Revenue Formula**

Fiscal Year Cost Calculation	2019	2020	2021	2022	2023
Additional annual administrative cost	\$0	\$50,000	\$100,000	\$100,000	\$100,000

**Long-Term Fiscal Considerations**

MMB expects the additional costs described above to continue each year, which means the impact of this legislation will continue over time.

**Local Fiscal Impact**

MMB expects local units of government to also incur added expenses. MMB cannot estimate the impact to local governments with reasonable certainty.

**References/Sources**

Program Information from SEGIP, administered through MMB

**Agency Contact:** Lorna Smith (651) 259-3604

**Agency Fiscal Note Coordinator Signature:** Ruth McGlynn

**Phone:** 651 259-3787

**Date:** 3/26/2019 9:31:18 AM

**Email:** ruth.mcglynn@state.mn.us