

FISCAL NOTE

HB 233 - SB 204

April 11, 2001

SUMMARY OF BILL:

- Requires the Department of Commerce and Insurance to administer a prescription drug discount program for senior citizens that are residents of Tennessee age 65 or over and pay an annual \$25 enrollment fee
- Requires pharmacies to offer drugs to program participants at a discount price based on rebates negotiated with drug companies. The department is to negotiate the rebates and reimburse pharmacies for the discount prices.
- Beginning January 1, 2002 pharmacies are prohibited from charging program participants prices higher than those listed in the federal supply schedule negotiated by the Department of Veterans Affairs plus a dispensing fee.
- Requires all drug manufacturers that distribute drugs in Tennessee, and that have an agreement with a prescription plan that results in discounts, to enter a rebate agreement. The rebate agreement must equal the cost necessary to reimburse pharmacies and would require rebates be paid within 30 days of a request by the department.
- Creates a Senior Citizen Prescription Drug Discount Program Fund to include money appropriated to the fund, enrollment fees, and rebates paid by drug manufacturers. Authorizes use of fund proceeds for reimbursement to pharmacies for discounts and reimbursement of the department for administering the program. Prohibits fund proceeds from reverting to the General Fund.
- Requires the department to establish rules to operate the program and to report annually on the program to the General Assembly and the Governor.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$1,893,000 Recurring
\$434,350 One-Time**

Increase State Revenues - \$9,285,000

Other Fiscal Impact: The amount of rebates collected from manufacturers and the amounts remitted to pharmacies cannot be determined, but is estimated to exceed \$75,000,000

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Estimate assumes:

- Approximately 619,000 Tennessee citizens are age 65 or older.
- Approximately 40% have insurance coverage for prescription medication or are enrolled in TennCare.
- Approximately 60%, (371,400), will enroll in the program and pay the \$25 dollar registration fee.
- An average of 4 prescriptions a month at an average cost of \$23 per prescription for each enrollee, based on averages experienced in the TennCare program.
- The average rebate, based on the percentage of rebate received in the TennCare program is approximately 19%.
- The average amount of rebate received per enrollee is estimated to be approximately \$210.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director