

### Fiscal Estimate - 2003 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>03-4203/1</b>	<b>Introduction Number</b> <b>AB-838</b>
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**Subject**  
 Treatment of prescription drug costs under AODA

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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**Local:**

No Local Government Costs  
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DHFS/ Donna Dunkel (608) 266-8156	<b>Authorized Signature</b> Fredi Ellen Bove (608) 266-2907	<b>Date</b> 3/15/2004
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## Fiscal Estimate Narratives

DHFS 3/15/2004

LRB Number	03-4203/1	Introduction Number	AB-838	Estimate Type	Original
<b>Subject</b>					
Treatment of prescription drug costs under AODA					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, group or blanket disability insurance policies are required to cover nervous and mental disorders and alcoholism and other drug abuse (AODA) problems up to certain financial limits.

Assembly Bill 838 specifies that the minimum coverage limits required for the treatment of nervous and mental disorders and AODA problems do not include costs incurred for prescription drugs and diagnostic testing. Diagnostic testing is defined as procedures used to exclude the existence of conditions other than nervous and mental disorders and AODA problems. The Department of Health and Family Services (DHFS) may determine by rule the diagnostic tests to be excluded. This legislation also provides that if an insurer pays less than the amount a provider charges, the required minimum coverage limits apply to the amount actually paid by the insurer rather than the amount charged by the provider.

Assembly Bill 838 would affect the following Department of Health and Family Services programs:

#### Health Insurance Risk Sharing (HIRSP) Program

The Health Insurance Risk Sharing (HIRSP) program would be subject to the statutory changes in Assembly Bill 838. However, HIRSP currently does not include the costs of prescription drugs and diagnostic tests as part of nervous and mental health and AODA treatment limits. Also, the HIRSP program calculates the cost of nervous and mental health and AODA treatments based on the HIRSP allowable cost, not on what is billed by the provider. Therefore, Assembly Bill 838 will not have a fiscal impact on the HIRSP program.

#### Community Aids

Community Aids are state and federal funds distributed by DHFS to counties on a calendar year basis to support community social, mental health, developmental disabilities and substance abuse services. The majority of community aids funds are allocated to counties through the basic county allocation. Counties have discretion in determining which types of services will be provided with funds from the basic county allocation. In addition, Community Aids provides five categorical allocations that must be expended on specified services. Funding provided from the Substance Abuse Prevention and Treatment (SAPT) block grant is distributed through community aids as a categorical allocation. Counties are required to spend these funds on eligible substance abuse services, including primary prevention and early intervention, detoxification, counseling, investigations and assessments, non-hospital inpatient treatment, and community based alternative living arrangements. While counties are required to provide matching funds of 9.89% for funding from the basic county allocation, no match is required for the SAPT block grant categorical allocation. If private payors, through insurance coverage, are required to provide increased coverage, some savings to counties may result, but it is not possible to calculate the magnitude of the possible savings. However, the department anticipates that any savings realized would be used by the county to provide services to individuals still on waiting lists for social services.

#### Mental Health Institutes

The department administers two mental health institutes. The Department sets rates, which are paid by counties for civilly-committed clients, based on the actual costs of providing services (including costs incurred for prescription drugs and diagnostic testing) and the availability of third-party revenues such as Medicare and Medicaid. If private payors, through insurance coverage, are required to provide increased coverage, it may be possible to realize savings for counties and the State Medicaid Program. Likewise, state costs for forensic patients at the mental health institutes could decrease if private payors through insurance coverage are required to provide increased coverage. It is not possible to calculate the magnitude of the possible savings to the counties of the state.

## Long-Range Fiscal Implications