

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose

BILL NUMBER: AB 369
AUTHOR: J. Huffman

BILL SUMMARY: Health Care Coverage: Prescription Drugs

Under existing law, the Department of Managed Health Care (DMHC) and the Department of Insurance (DOI) are responsible for the licensure and regulation of health care service plans and insurers, respectively. Existing law requires health care service plan contracts and health insurance policies covering prescription drug benefits to provide specified coverage to enrollees.

This bill would require health plans and policies that use step therapies or fail first protocols for pain treatment to abide by the following limits:

- The prescribing physician shall determine the duration of the step therapy or fail first protocol.
The health plan or policy shall not require a patient to try and fail on more than two pain medications before allowing access to the pain medication prescribed by their physician.
Once a patient has tried and failed on two pain medications, prior authorization from the health plan or policy shall not be needed for the physician to prescribe the appropriate pain medication.

The bill states it shall not be construed to require health plans or policies to cover drugs not included in the plans' or policies' formularies. The bill also states health plans and policies may charge copayments or deductibles for pain medications, and that they may also impose limits on the maximum coverage of pain medication benefits, provided those limits are held unobjectionable by the Director of DMHC or the Insurance Commissioner, as appropriate.

FISCAL SUMMARY

Finance does not yet have estimates from DMHC and DOI of the costs they would incur in relation to this bill.

We estimate this bill could result in General Fund costs of tens of millions of dollars per year if the federal government determines the bill requires health plans and policies to provide benefits that exceed the minimum requirements set forth in the federal Patient Protection and Affordable Care Act (PPACA).

COMMENTS

Finance opposes this bill for the following reason:

- For health plans and policies sold through the California Health Benefits Exchange, the PPACA requires states to cover the cost of any medical benefits that exceed the federal requirements. The federal Department of Health and Human Services has not yet issued regulations specifying the minimum prescription drug benefits that health plans and policies must provide pursuant to the PPACA.

Analyst/Principal Date Program Budget Manager Date
(0760) C. Hill Mark Hill

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

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If the pain medication benefits provided by this bill exceed the benefit requirements ultimately settled upon by the federal government, the General Fund would be required to cover the cost differential. This may result in annual General Fund costs of tens of millions of dollars per year.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	
0001/Major Rev	LA	No		-----	See Fiscal Summary	-----			0001