

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 1277 (Third Edition)

**SHORT TITLE:** Pharmacy Choice/Competition

**SPONSOR(S):** Rep. Nelson Cole

**FISCAL IMPACT**

**Yes ( )      No (X)      No Estimate Available ( )**

**FY 1999-00   FY 2000-01   FY 2001-02   FY 2002-03   FY 2003-04**

**REVENUES**

**EXPENDITURES**

**POSITIONS:**

**PRINCIPAL DEPARTMENT(S) &  
PROGRAM(S) AFFECTED:** Department of Insurance

**EFFECTIVE DATE:** Effective when it becomes law and applies to every health benefit plan and pharmacy provider contract delivered, issued for delivery, or renewed on or after Oct. 1, 1999. This act expires September 30, 2003.

**BILL SUMMARY:** *(Adopted from Daily Bulletins for April 14, 1999 and July 7, 1999.)*

This bill prohibits health insurers and others who provide health benefit plans from requiring beneficiaries to redeem prescription card benefits at only certain pharmacies. The bill does not apply to (1) Medicaid and Medicare prescription drugs and pharmacy services benefits, (2) the Teachers' and State Employees' Comprehensive Medical Plan or (3) certain facilities that dispense their own prescription drugs. The bill requires insurers and others who provide prescription card benefits to inform policyholders that card benefits may be redeemed at any pharmacy.

The bill permits a pharmacy to establish its own price or charge for the prescription not to exceed the published average wholesale price plus 5%, unless the pharmacy has agreed otherwise by terms of a pharmacy provider contract. It requires pharmacies that fill prescriptions for consumers with prescription card benefits to inform the consumer of any difference in prices between the card benefit and co-payment and the price charged by the pharmacy. It also

provides that if the price or charge for prescription and pharmacy services established by the pharmacy is greater than the sum of the co-payment and the prescription card benefit, the person redeeming the prescription card benefit shall be responsible for paying the pharmacy the difference in cost.

The bill defines key terms used in the act and also provides that insurers or others who violate the bill's provisions are subject to enforcement under GS 58-2-70, provided that monetary penalties assessed under the bill's provisions must be between \$1,000 and \$10,000 per day. The bill also requires the Department of Insurance to use \$5,000 of the funds appropriated for the 1999-2000 fiscal year to monitor the effects of the act upon persons whose health insurance coverage provides prescription card benefits.

**ASSUMPTIONS AND METHODOLOGY:** This bill requires the Department of Insurance to monitor the affects of this bill on persons whose health insurance coverage provides prescription card benefits. The Department's initial plan for satisfying the requirements of this bill involves reviewing audit exams for information that may offer measurements of the effects of the bill. Then, depending on the information gained from the audit exams, the Department plans to send out "data calls" or surveys to companies and/or pharmacies or to conduct round table discussions or form ad-hoc committees to gather information to be evaluated by the Department. The Department estimates that the only cost they may incur would be for mailing the surveys or for conducting round table discussions. The Department estimates that they can satisfy the requirements of this bill with available resources. Fiscal Research staff believes the Department's plan for satisfying the requirements of this bill are reasonable and does not require any additional resources.

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION 733-4910**

**PREPARED BY:** Marilyn Chism

**APPROVED BY:** Tom Covington

**DATE:** Tuesday, July 13, 1999



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