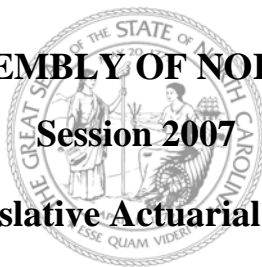


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: Senate Bill 712 (First Edition)

SHORT TITLE: Insurers/Cover Rx in Emergencies -- AB

SPONSOR(S): Senator Purcell

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Comprehensive Major Medical Plan.

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts, premium payments for dependents by active and retired teachers and State employees, premium payments for coverages selected by eligible former teachers and State employees, premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY: Senate Bill 712 (First Edition) if enacted would require health benefit plans and programs under the Teachers' and State Employees' Comprehensive Major Medical Plan (Plan), and other health benefit plans under G.S. 58-3-167, to waive, during a declared state of emergency or proclaimed disaster by the Governor, practices that restrict a covered person under a benefit plan from refilling a prescription prior to when normally authorized by a plan. Prescription drugs are typically authorized on a "days supply" basis where the amount of medication is dispensed for a set number of days, typically a "30-day supply." "Refill too soon" policies utilized by health benefit plans restrict covered persons from refilling prescription medications until within a few days of the end of the current supply of a covered person's prescription. The legislation would allow covered individuals in counties subject to a Governor's declaration or proclamation, to refill a current prescription under their health benefit plan without limitation, if the prescription was originally filled or re-filled within in a period 29 or days or less from the declaration of an emergency or disaster.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON STATE: Aon Consulting, consulting actuary for the Teachers' State and Employees' Comprehensive Major Medical Plan, estimates an impact of approximately \$1.5 million for the 2007-2009 biennium.

Hartman and Associates, consulting actuary for the General Assembly, does not estimate any impact for the 2007-2009 biennium, but rather estimates the impact of a single event, when or if it occurs, to be in the \$3 million to \$5 million range. Hartman and Associates further notes that the infrequency of events and the wide variance in the scale and impact of previous events make it difficult to predict when these costs might impact any particular fiscal year. In addition, they note

that the impact of an event on covered plan members could vary significantly depending on the type of event and if it occurs in a geographic area heavily populated by plan members.

ASSUMPTIONS AND METHODOLOGY: The Plan provided information from its pharmacy benefit manager, Medco, for each actuary to consider as an example of an event where prescription drug refill restrictions were waived for a three month period. Medco provided utilization information on the company's experience for Hurricane Rita for a period of three months subsequent to that event. In this particular event, the company reported that out of approximately 131,000 lives in affected counties, 55,000 of these lives filled prescriptions totaling 75,000 scripts over a three month period. Aon Consulting further assumed in its estimate that between 0.75% and 3.75% of the State's population could be affected by an event in any one year. Aon Consulting also assumed that between 25% and 75% of current scripts would be filled during a disaster. Hartman and Associates based its cost projection of an event on current 2005-2006 fiscal year data of 10.5 million scripts authorized and \$472.2 million in paid prescription drug claims. They also assume for projection purposes that approximately 10% to 20% of plan members may be affected by an event.

SOURCES OF DATA:

-Actuarial Note, Hartman & Associates, Senate Bill 712 (First Edition), April 26, 2007, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, Senate Bill 712 (First Edition), April 26, 2007, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS: None

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DATE: April 30, 2007



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