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SFA**BILL ANALYSIS**

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Senate Bill 6 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Bev Hammerstrom
Committee: Health Policy

Date Completed: 3-19-03

RATIONALE

The Public Health Code requires a pharmacist to provide certain information on a receipt or a container label for a prescription drug. This information includes the brand name of the drug, the strength and quantity of the drug, the date the prescription was dispensed, the name of the prescriber, and the price for which the drug was sold to the purchaser. The price of the drug to many people with health insurance is often a flat co-pay amount, usually ranging from \$5 to \$20, regardless of the retail price of the drug. Many people, therefore, are unaware of the true cost of their prescriptions. It has been suggested that if consumers knew the actual cost, they might modify behavior that contributes to the use of prescription drugs.

CONTENT

The bill would amend the Public Health Code by requiring pharmacists to include the cost of a prescription drug or the amount charged to a third party, as well as the amount of a co-pay, on a receipt for the drug.

The bill specifies that, until January 1, 2005, a pharmacist would have to include either the current selling price of the prescription drug to a purchaser without prescription coverage, or the price of the drug charged to a third-party payment source, and the co-pay, if any, paid by the purchaser. (The Code defines "current selling price" as the retail price for a prescription drug available for sale from a pharmacy.)

On and after January 1, 2005, if the prescription purchase were covered by a third-party pay contract, the pharmacist would have to include on the receipt the price of the drug

charged to a third-party payment source and the co-pay, if any, paid by the purchaser. If a third-party pay contract did not cover the prescription purchase, the receipt would have to include the current selling price of the prescription drug to a purchaser without prescription coverage.

MCL 333.17757

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

According to the National Conference of State Legislatures, Americans are using prescription drugs in record numbers. Reportedly, the number of retail prescriptions filled increased from about seven per capita in 1992 to almost 11 in 2000. The aging population, direct-marketing drugs to consumers, and an increasing number of "maintenance" drugs for chronic or life-long conditions are considered the main reasons for this increase. At the same time, the cost of prescription drugs is accelerating: According to the Kaiser Family Foundation, the average retail price of a prescription drug more than doubled in the 1990s, from \$22.06 in 1990 to \$45.79 in 2000. Drug costs to consumers, however, decreased between 1992 and 1997, while spending by third-party insurers more than doubled in those five years. The insurance companies, then, are picking up the tab for increased drug costs. Printing the retail price of a prescription drug on a receipt for its purchase may make more people aware that their medications do cost someone a great deal. This realization may encourage people

to change behaviors that contribute to unhealthy lifestyles.

Supporting Argument

Many retirees, such as those in the Michigan public school employees and State employees retirement systems, pay a fixed percentage of a drug's "adjudicated" price, rather than a flat co-pay amount on their prescriptions. (The adjudicated price is a reduced price negotiated by a third-party payment source.) Requiring pharmacists, after a two-year phase-in period (for software changes), to print on receipts the price charged to a third-party payment source should aid these retirees in verifying that they are paying the correct percentage for their prescriptions.

Legislative Analyst: Claire Layman

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Maria Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.