

Addendum to the Notice of Rulemaking and the Initial Statement of Reasons

Section 1300.67.205 – Standard Prescription Drug Formulary Template

(Control No. 2017-5229)

UPDATE TO SUMMARY OF FISCAL IMPACT

The Department is updating its Summary of Fiscal Impact contained in its initial Notice of Rulemaking¹ with the following revised information:

- **Cost or Savings to Any State Agency** – The Department has determined there will be a fiscal impact to Medi-Cal only managed care plans to comply with the requirements of this regulation. The estimated fiscal amount to upgrade computer systems is \$13,041 per health plan. This brings the total fiscal impact to Medi-Cal only managed care plans to \$143,452 to comply with the regulation.

ECONOMIC IMPACT

The Department has determined the proposed regulation will not have a significant statewide economic impact. As required by SB 1052, the proposed regulation establishes a standard template formulary for prescription benefits that all health care service plans must utilize.

Based upon updated financial information from the California Developmental Department Labor Market Information Division for 2018, the Department has revised the fiscal analysis contained in the chart below to contain the updated first quarter 2018² hourly wage for a computer programmer.

GENERAL ANALYSIS

The Department currently licenses seventy-five (75) full-service plans. Of those 75 full-service plans, forty-nine (49) offer prescription drug benefits. This number includes full-service plans who operate a qualified health plan (QHP) under Covered California. The Department considered the costs of computer system upgrades for these impacted health plans that will be needed to process formularies complying with the additional regulation requirements, but did not factor in the costs of information specifically required to be included under the provisions of Health and Safety Code section 1367.205(b). These costs can be attributed to the statute itself and not the proposed regulation.

TABLE 1. Cost of Formulary System Upgrades

¹ This information was contained on page 22 of the Notice of Rulemaking dated September 28, 2018.

² The Department previously used the 2017 hourly wage for a computer programmer of \$43.54 versus the 2018 hourly wage of \$45.71.

Health Plan System Upgrades	Health Plan Number	Computer Programmer Hours	Computer Programmer Hourly Wage	Total Cost
Minor Upgrades	15	150	\$45.71	\$102,848 (rounded)
Average Upgrades	25	300	\$45.71	\$342,825
Multiple System Upgrades	9	470	\$45.71	\$193,353 (rounded)
TOTAL	49			\$639,026

The Department anticipates that the computer upgrades associated with the proposed regulation may be broken down into three distinct categories: 1) minor upgrades; 2) average upgrades; and 3) multiple system upgrades. The Department expects the three categories to be divided amongst the impacted health plans, with the majority of the health plans having an average impact, and with the minority having either minor impacts or multiple system impacts.

The computer system upgrades may be done by a skilled computer programmer. Based upon the amount of time it is estimated the computer programmer will need to upgrade the health plan systems with the new regulatory requirements, the Department anticipates the following hours of work broken down by the type of system upgrades: 1) minor – 150 hours; 2) average – 300 hours; and 3) multiple – 470 hours. According to the Employment Development Department’s Labor Market Information Division, in the first quarter of 2018, the median hourly wage of a computer programmer was \$45.71.³ Based on this information, the total anticipated costs for upgrading the health plan computer systems to comply with the regulation is \$639,026, or approximately \$13,041 (rounded) per health plan.

³ California Employment Development Department Labor Market Information Division, Employment and Wages Data Table for the State of California in the First Quarter of 2018, Median Hourly Wage for Computer Programmer (SOC Code 15-1131), available at <http://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html>.