

Approved: _____

Date *March 1, 2000*

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Senator Don Steffes at 9:00 a.m. on February 22, 2000 in Room 231-N of the Capitol.

All members were present except:

Committee staff present: Dr. William Wolff, Legislative Research
Ken Wilke, Office of Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Paul Davis, Kansas Bar Association
Terry Bernatis, Health Care Commission
Larrie Ann Lower, Kansas Association of Health Plans
Karen Branam, SRS
Linda DeCoursey, Kansas Insurance Department
Bob Williams, Kansas Pharmacists Association

Others attending: (See Attached)

Action on SB 503—Uniform Prudent Investment Act

Paul Davis, Legislative Counsel for the Kansas Bar Association, presented a list of amendments to be considered by the Committee (Attachment 1):

- Replace “trustee” with the word “fiduciary” throughout the bill.
- Section 9: Maintain current law with regard to the requirements set out for a fiduciary who delegates his or her investment functions.
- New Section 10: Maintain current law by providing requirements for conservators who manage investments.

Senator Corbin moved to adopt the amendments as presented by the Kansas Bar Association. Motion was seconded by Senator Barone. Motion carried.

Senator Corbin moved to report the bill favorably as amended. Motion was seconded by Senator Barone. Motion carried with one negative vote.

Hearing on SB 523 – Insurance coverage of maintenance drugs

Senator Sandy Praeger explained that this bill would lift the restriction insurance companies or the drug benefit manager for the company has of disallowing persons on maintenance drugs to receive those prescriptions for more than one month at a time (Attachment 2). Senator Praeger pointed out the inconvenience for the patient, increased paper work for the local pharmacist, and unnecessary delays for persons receiving refills. Maintenance drugs would include estrogen replacement drugs, diabetes and blood pressure medicines, tamoxifen, and synthroid.

Senator Praeger this would not mandate additional coverage but would allow those with drug coverage to buy at least a 90-day supply of maintenance drugs.

Questions of the Committee included whether this would require tracking by the State Employees Health Care Plan, would the maintenance drug prescriptions be limited to only 90 days or would it be possible to buy more at a time, is the reported fiscal note of a monthly cost of \$32,280 to the Health Plan accurate?

Terry Bernatis, Administrator of the Kansas State Employees Health Care Commission, explained that they had chosen the \$32,280 monthly cost but there was actually a range of \$15,000 to \$54,000 monthly if the

CONTINUATION SHEET

maintenance drugs were increased to 90-day supply. Premiums for the health plan are collected every two weeks out of state employees wages and this proposal would grant them a three-month supply of maintenance drugs when they have actually only paid a two- week premium. There is an annual turnover rate of employees on the health plan of 13%, retirees and others die, and there are those that sign up and then walk away from the plan. Ms. Bernatis said in supplying information for the fiscal note, she used only drugs which are now available for 34-day supply. She said the estimated fiscal note was very conservative in her opinion. Health care costs are always driven up by mandates. She pointed out that the state's plan cost \$18 million in 1996 and is now at \$37 million in 1999. Part of these costs have increased due to the high and rising costs of pharmaceuticals. Terry Bernatis was requested to review the list of "maintenance drugs" that are on a 34-day supply list and report her findings to the Committee.

Larrie Ann Lower, Kansas Association of Health Plans, recommended that this proposal be tracked on the State Employees Health Plan prior to subjecting other insurance companies to such a mandate (Attachment 3). This would affect 40% of insurance-covered Kansans who are not in an ERISA plan.

Karen Barman, pharmacist in the Division of Health Care Policy of SRS, spoke in opposition to the plan as it would require Medicaid along with all other plans for medical services to pay for at least a 90-day supply of medications for consumers and will effectively remove one of the few cost-containments that exist in the Pharmacy Program (Attachment 4). She also questioned the definition of maintenance medication. Her figures of additional costs of \$720,000 for Medicaid; an increase of between \$500,000 and \$1 million annually for Title XIX managed care; and a fiscal impact to HealthWave of \$750,000 were challenged by Committee members. Of special interest was why the estimate for HealthWave (which is for less than 30,000 children) was so much higher than that estimated for many more retirees on the state health plan. Ms. Braman was requested to return clarifying information on the presented figures and to provide a definition for "maintenance drugs."

Terry Leatherman, Kansas Chamber of Commerce and Industry, presented written testimony in opposition to the bill (Attachment 5).

The hearing was continued.

Hearing on SB 574 – Insurance, relating to deceptive practices involving discount cards

Linda DeCoursey, Kansas Insurance Department, explained that consumers, particularly older citizens, are sometimes targeted for the health and prescription discount card programs as well as the uninsured and those who have cut back their own insurance coverage to catastrophic coverage (Attachment 6). Many consumers misunderstand that they are not paying for insurance coverage but rather would receive a discount on their prescriptions if the pharmacy they use had contracted with the company, which is usually doubtful. There are usually additional "handling or administrative" costs associated with the use of such cards. Ms. DeCoursey explained the different areas of the bill which would explain what a discount card is and what it is not; design for lawsuits and penalties; and the application of other laws to violators. This is modeled after a law recently passed in Arkansas.

Bob Williams, Kansas Pharmacists Association, said his organization viewed this proposed legislation as good public policy as it addresses the deceptive practices and outright fraud of some health discount cards (Attachment 7). The insurance companies who do offer discount cards have a completely separate contract which handles this portion of their business. It is costly to the pharmacist who mistakenly takes a discount card thinking it is an insurance card and attempts to make an electronic claim to the card's issuer. Transaction fees are charged the pharmacist for submitting the claim. The bill addresses deceptive advertising but does not penalize the issuers of legitimate discount cards.

Senator Praeger moved to report the bill favorably. The motion was seconded by Senator Biggs. Motion carried.

Senator Praeger moved that the minutes of the meetings of February 15, 16, and 17 be approved as presented. Motion was seconded by Senator Brownlee. Motion carried.

The meeting was adjourned at 10:00 a.m. The next meeting is scheduled for March 1, 2000.



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MEMORANDUM

February 22, 2000

TO: Chairman Don Steffes and Members of the Senate
Financial Institutions and Insurance Committee

FROM: Paul Davis, Legislative Counsel

RE: Amendments to Senate Bill 503

Mr. Chairman and Members of the Committee:

Below is a list of the recommended amendments to Senate Bill 503. These amendments represent the joint recommendation of the Kansas Bar Association and the Kansas Trial Lawyers Association. We believe that these amendments do not conflict with the goals of the proponents of this legislation. They represent portions of the current law that were originally drafted by the Kansas Bar Association and the Kansas Bankers Association.

- 1) The word "trustee" is replaced with the word "fiduciary" throughout the bill. This simply maintains current law so that the group of persons covered by the law is not narrowed to trustees only.
- 2) In Section 9 of the bill, current law is maintained with regard to the requirements set out for a fiduciary who delegates his or her investment functions. We believe that the language in current law provides more protections for trust beneficiaries by more specifically defining the obligations of a fiduciary who delegates investment functions to an investment agent. Furthermore, in subsection (b) of Section 9, current law is also maintained with regard to making an investment agent subject to the same standards that are applicable to a fiduciary when performing a delegated function. We believe this is an essential protection for beneficiaries.
- 3) New Section 10 also maintains current law by providing requirements for conservators who manage investments. Conservators are left out of the uniform act.

In sum, these amendments simply maintain current law in several areas that provide important protections for trust beneficiaries. We respectfully request that the committee adopt these amendments to Senate Bill 503. Thank you for your consideration.

Senate Financial Institutions & Insurance
Date 2/24/00
Attachment

SENATE BILL No. 503
By Committee on Judiciary
1-27

9 AN ACT enacting the Kansas uniform prudent investor act; repealing
10 K.S.A. 17-5004.

11

12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. (a) Except as otherwise provided in subsection (b), a ~~trustee~~
14 ~~fiduciary~~ who invests and manages trust assets owes a duty to the beneficiaries
15 of the trust to comply with the prudent investor rule set forth in this act.

16 (b) The prudent investor rule, a default rule, may be expanded, re-
17 stricted, eliminated or otherwise altered by the provisions of a trust. A
18 ~~trustee fiduciary~~ is not liable to a beneficiary to the extent that the trustee acted
19 in reasonable reliance on the provisions of the trust.

20 Sec. 2. (a) A ~~trustee fiduciary~~ shall invest and manage trust assets as a
21 investor would, by considering the purposes, terms, distribution require-
22 ments and other circumstances of the trust. In satisfying this standard,
23 the ~~trustee fiduciary~~ shall exercise reasonable care, skill and caution.

24 (b) A ~~trustee's fiduciary's~~ investment and management decisions respecting
25 individual assets must be evaluated not in isolation but in the context of the
26 trust portfolio as a whole and as a part of an overall investment strategy
27 having risk and return objectives reasonably suited to the trust.

28 (c) Among circumstances that a ~~trustee fiduciary~~ shall consider in investing
29 and managing trust assets are such of the following as are relevant to the trust
30 or its beneficiaries: (1) General economic conditions;

31 (2) the possible effect of inflation or deflation;

32 (3) the expected tax consequences of investment decisions or
33 strategies;

34 (4) the role that each investment or course of action plays within the
35 overall trust portfolio, which may include financial assets, interests in
36 closely held enterprises, tangible and intangible personal property and
37 real property;

38 (5) the expected total return from income and the appreciation of
39 capital;

40 (6) other resources of the beneficiaries;

41 (7) needs for liquidity, regularity of income and preservation or ap-
42 preciation of capital; and

43 (8) an asset's special relationship or special value, if any, to the pur-

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1 poses of the trust or to one or more of the beneficiaries.

2 (d) A ~~trustee fiduciary~~ shall make a reasonable effort to verify facts relevant
3 to the investment and management of trust assets.

4 (e) A ~~trustee fiduciary~~ may invest in any kind of property or type of
5 investment consistent with the standards of this act.

6 (f) A ~~trustee fiduciary~~ who has special skills or expertise or is ~~named trustee~~
7 *placed in a fiduciary capacity* in
8 reliance upon the ~~trustee's fiduciary's~~ representation that the ~~trustee fiduciary~~ has
special skills or expertise, has a duty to use those special skills or expertise.

9 Sec. 3. A trustee *fiduciary* shall diversify the investments of the trust unless
10 the trustee *fiduciary* reasonably determines that, because of special circumstances,
11 the purposes of the trust are better served without diversifying.

12 Sec. 4. Within a reasonable time after accepting a trusteeship *entering into*
the fiduciary relationship or
13 receiving trust assets, a trustee *fiduciary* shall review the trust assets and make and
14 implement decisions concerning the retention and disposition of assets, 15
in order to bring the trust portfolio into compliance with the purposes,
16 terms distribution requirements and other circumstances of the trust, and
17 with the requirements of this act.

18 Sec. 5. A trustee *fiduciary* shall invest and manage the trust assets solely in
19 the interest of the beneficiaries.

20 Sec. 6. If a trust has two or more beneficiaries, the trustee *fiduciary* shall act
21 impartially in investing and managing the trust assets, taking into account
22 any differing interests of the beneficiaries.

23 Sec. 7. In investing and managing trust assets, a trustee *fiduciary* may only
24 incur costs that are appropriate and reasonable in relation to the assets,
25 the purposes of the trust and the skills of the trustee.

26 Sec. 8. Compliance with the prudent investor rule is determined in
27 light of the fact and circumstances existing at the time of a trustee's *fiduciary's* de-
28 cision or action and not by hindsight.

29 Sec. 9. (a) A trustee *fiduciary* may delegate investment and management
30 functions that a prudent trustee *fiduciary* of comparable skills could properly
delegate

31 under the circumstances. ~~The trustee *fiduciary* shall exercise reasonable care, skill~~
32 ~~and caution in: (1) Selecting an agent; For a fiduciary to properly delegate~~
investment functions under this subsection, the fiduciary shall:

(1) *Exercise reasonable care, skill and caution in selection of the investment agent,*
in establishing the scope and specific terms of any delegation and in periodically
reviewing the agent's actions in order to monitor overall performance and
compliance with the scope and specific terms of the delegation.

33 (2) ~~establishing the scope and terms of the delegation, consistent with~~
34 ~~the purposes and terms of the trust; and conduct an inquiry into the experience,~~
performance history, professional licensing or registration, if any, and financial
stability of the investment agent; and

35 (3) ~~periodically reviewing the agent's actions in order to monitor the~~
36 ~~agents performance and compliance with the terms of the delegation. if a trust, send~~
written notice of its intention to begin delegating investment functions under this
section to the beneficiaries eligible to receive income from the trust on the date of
initial delegation at least 30 days before the delegation. This notice shall thereafter,
until or unless the beneficiaries eligible to receive income from the trust at the time
are notified to the contrary, authorize the fiduciary to delegate investment functions
pursuant to this section.

37 (b) ~~In performing a delegated function, an agent owes a duty to the~~
38 ~~trust to exercise reasonable care to comply with the terms of the~~
39 ~~delegation. an investment agent shall be subject to the same standards that are~~
applicable to the fiduciary.

(c) An investment agent shall be liable to the beneficiaries of the trust and to the designated fiduciary to the same extent as if the investment agent were a designated fiduciary in relation to the exercise or nonexercise of the investment function.

40 ~~(c)~~(d) A trustee fiduciary who complies with the requirements of subsection (a)
41 is not liable to the beneficiaries or to the trust for the decisions or actions
42 of the agent to whom the function was delegated.
43 ~~(d)~~ (e) By accepting the delegation of a trust function from the trustee fiduciary

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1 of a trust that is subject to the law of this state, an agent submits to the
2 jurisdiction of the courts of this state.

New Section 10. Conservators shall not invest funds under their control and management in investments other than those specifically permitted by K.S.A. 59-3019 and amendments thereto, except upon the entry of an order of a court of competent jurisdiction, after a hearing on a verified petition. Before authorizing any such investment, the court shall require evidence of value and advisability of such purchase.

3 Sec. ~~10~~11. The following terms or comparable language in the provi-
4 sions of a trust, unless otherwise limited or modified, authorizes any in-
5 vestment or strategy permitted under this act: "Investments permissible
6 by law for investment of trust funds," "legal investments," "authorized
7 investments," "using the judgment and care under the circumstances then
8 prevailing that persons of prudence, discretion and intelligence exercise
9 in the management of their own affairs, not in regard to speculation but
10 in regard to the permanent disposition of their funds, considering the
11 probable income as well as the probable safety of their capital," "prudent
12 man rule," "prudent trustee rule," "prudent person rule" and "prudent
13 investor rule."

14 Sec. ~~11~~12. This act applies to trusts existing on and created after the
15 effective date of this act. As applied to trusts existing on the effective date
16 of this act, this act governs only decisions or actions occurring after that
17 date.

18 Sec. ~~12~~13. This act shall be applied and construed to effectuate its gen-
19 eral purpose to make uniform the law with respect to the subject of this
20 act among the states enacting it.

21 Sec. ~~13~~14. This act may be cited as the Kansas uniform prudent inves-
22 tor act.

23 Sec. ~~14~~15. If any provision of this act or its application to any person
24 or circumstance is held invalid, the invalidity does not affect other pro-
25 visions or applications of this act which can be given effect without the
26 invalid provision or application, and to this end the provisions of this act
27 are severable.

28 Sec. ~~15~~16. K.S.A. 17-5004 is hereby repealed.

29 Sec. ~~16~~17. This act shall take effect and be in force from and after its
30 publication in the statute book.

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SENATE CHAMBER

February 22, 2000

COMMITTEE ASSIGNMENTS
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VICE CHAIR: FINANCIAL INSTITUTIONS AND INSURANCE
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ELECTIONS AND LOCAL GOVERNMENT
HEALTH CARE REFORM LEGISLATIVE
OVERSIGHT COMMITTEE
JOINT COMMITTEE ON CHILDREN AND FAMILIES
SRS TRANSITION OVERSIGHT COMMITTEE

Senate Financial Institutions and Insurance Committee

Thank you, Mr. Chairman, for the opportunity to address the committee on SB 523. For several years I have heard complaints about the ability of persons on maintenance drugs to receive those prescriptions for more than one month at a time. This appears to be a policy of either their insurance company or the drug benefit manager for the company. Not only is this policy inconvenient for the patient, but it increases paper work for the local pharmacist filling these prescriptions and can result in unnecessary delays in persons obtaining refills on their prescriptions. Examples of the type of prescriptions I'm talking about include: synthroid, necessary for persons who have undergone thyroid surgery; tamoxifen, for breast cancer treatment and in some cases, prevention; estrogen replacement drugs; diabetes and blood pressure medicines. Passage of SB 523 will allow persons with drug coverage in their insurance plan to buy up to a 90-day supply when they renew their prescription.

I understand that there will be an amendment proposed which will clarify the term "maintenance drug" and make several other technical changes. I support those amendments.

Thank you, Mr. Chairman. I would be happy to answer questions.

Sandy Praeger

Senate Financial Institutions & Insurance

Date 2/22/00

Attachment

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Kansas Association of Health Plans

**Testimony before the
Senate Financial Institutions and Insurance Committee
The Honorable Don Steffes, Chairman
Hearings on SB 523
February 21, 2000**

Good morning Chairman Steffes and members of the committee. Thank you for allowing me to appear before you today. I am Larrie Ann Lower, Executive Director of the Kansas Association of Health Plans (KAHP).

The KAHP is a nonprofit association dedicated to providing the public information on managed care health plans. Members of the KAHP are Kansas licensed health maintenance organizations, preferred provider organizations and other entities that support managed care. Members of the KAHP serve many of the Kansans who are insured by a HMO or PPO.

The KAHP appreciates the opportunity to comment on SB 523. This bill states that an insurance policy shall not limit reimbursement on a maintenance drug to a 90 day or fewer supply at one time. The KAHP would like to offer three amendments to this bill.

Amendment one is language similar to language included in various other health insurance mandates. Without such language insureds would be exempt from the copayments, deductibles and other limitations that apply to an insured's prescription drug plan. (i.e. a \$1000.00 limit on prescription drugs per employer).

The second amendment clarifies that a maintenance drug is a prescription drug that is being used to treat an ongoing health condition that has been in existence for more than 90 days, and is anticipated to be in existence for six months or more. This amendment also requires that the prescribed drug is a stable regimen and must be safe and not require frequent monitoring.

Senate Financial Institutions & Insurance

Date 2/22/00

Attachment

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The final amendment requires that the 90 day supply not be the first prescription or change in a prescription. It also requires that the prescriber be an authorized practitioner as defined K.S.A. 65-1626 (t). This language is attempting to limit the situations where waste of prescription drugs could occur. This final amendment also states that the 90 day supply cannot exceed the eligibility period, otherwise the health insurance company might be required to furnish a 90 day supply on the last day of eligibility.

Finally, the KAHP would suggest that this legislation first be subject to the provisions of K.S.A. 1999 Supp. 40-2249a. This statute which you passed last year, requires the testing of any new mandate first on the state employees health plan in order to determine its potential cost impact to employers.

I will be happy to try to answer any questions the committee may have.

SENATE BILL No. 523

By Committee on Financial Institutions and Insurance

1-31

33

9 **AN ACT** concerning insurance coverage of maintenance drugs; requiring
10 insurance companies to cover reimbursement of maintenance drugs
11 up to and including a 90 day supply.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. (a) Notwithstanding any provision of an individual, group
15 or blanket policy of accident and sickness, medical or surgical expense
16 insurance coverage or any provision of a policy, contract, plan or agree-
17 ment for medical service, issued on or after the effective date of this act,
18 whenever such policy, contract, plan or agreement provides for reim-
19 bursement, in whole or in part, of a maintenance drug, such insurance
20 company shall not limit reimbursement, in whole or in part, of the main-
21 tenance drug to a 90 day or fewer supply at one time.

A policy, provision, contract, plan or agreement may apply the same deductible, coinsurance, copayments and other limitations as apply to other covered prescription drugs.

22 (b) As used in this section: "Maintenance drug" means a prescription
23 drug used to control an ongoing health condition for an ongoing period
24 of time.

anticipated to be required for six months or more to treat an ongoing health condition that has been in existence for more than 90 days, must be a stable drug regimen and must be sufficiently safe as to not require frequent monitoring of the drug therapy.

25 Sec. 2. This act shall take effect and be in force from and after its
26 publication in the statute book.

(c) The provisions of subsection (a) shall not apply to the first prescription or change in a prescription for a maintenance drug that the authorized prescribing practitioner as defined in K.S.A. 65-1626 (l) prescribes for the insured or enrollee and the days supply cannot exceed the eligibility period.



State of Kansas
Department of Social
and Rehabilitation
Services

Janet Schalansky, Secretary

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Senate Financial Institutions and Insurance Committee
February 22, 2000

Testimony Regarding S.B. 523

Health Care Policy
Lyn Goering, Assistant Secretary
(785) 296-3773

Senate Financial Institutions & Insurance

Date 2/22

Attachment 4

Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary

Senate Financial Institutions and Insurance Committee
February 22, 2000

Mr. Chairman and members of the committee, I am Karen Braman, pharmacist in the Division of Health Care Policy. Thank you for the opportunity to appear before you today regarding S. B. 523. The department has several concerns about this proposed legislation. S.B. 523 appears to require Medicaid, along with all other plans for medical services, to pay for at least a 90-day supply of medications for consumers and will effectively remove one of the few cost-containment policies that exist in the Pharmacy Program. Additionally, maintenance medications are defined so broadly in the bill that almost any medication would fit this definition.

Medicaid is required by Federal and State law to maintain an open formulary, which means that almost all drugs are covered. This leaves Medicaid and the Medicaid HMOs with very few options to control increasing pharmacy costs. The primary reason why Medicaid limits covered medications to a 34-day supply is to reduce waste that is very costly to the program. If a new prescription is filled for a consumer in a large quantity and it's later discovered that the medication was not effective, could not be tolerated, or was lost or stolen, then that supply of medication is wasted and is a loss to the Medicaid program. If this occurs with prescriptions in smaller quantities, the loss is much less.

Limiting the number of days' supply also prevents payment for large supplies of medications when a beneficiary may not be eligible for Medicaid or may opt out of their managed care plan into another plan in subsequent months. Removing this cost-savings measure from Medicaid would cost the fee-for-service program approximately \$720,000 annually.

The capitated managed care plans are required to provide the full range of Medicaid-covered services at a lower cost than fee for service. Removal of a cost-containment strategy from the managed care plans jeopardizes their ability to be cost effective. Medicaid consumers may opt out of their managed care plan into fee-for-service or the primary care case management plan. To require the Medicaid HMOs to pay for medications beyond when the consumer may even be enrolled in their plan is an unreasonable financial burden. This bill could cost the Title XIX capitated managed care provider \$500,000 to one million dollars annually.

Although the HealthWave program is a continuous eligibility program, the potential exists for loss or abuse to occur with large quantities of medications. Requiring these plans to cover large supplies of medications places a great financial risk on them. The fiscal impact to the HealthWave HMOs is estimated to be \$775,000 annually.

Although it is less convenient to the consumer to pick up their medications every thirty days as opposed to every ninety days or more, this must be balanced with the cost to the Medicaid program. As a result of these concerns, SRS is opposed to the application of S. B. 523 to programs administered by the department. If this legislation is passed, we would like to request that programs we administer be exempted from its requirements.

This concludes my testimony, but I will be happy to address your questions.

Testimony Regarding S.B. 523
Health Care Policy * February 17, 2000

Estimates from HealthPlans.

4-2

LEGISLATIVE TESTIMONY



The Unified Voice of Business

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SB 523

February 21, 2000

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Financial Institutions and Insurance

by

Terry Leatherman
Vice President – Legislative Affairs

Mr. Chairman and members of the Committee:

My name is Terry Leatherman. I am the Vice President of Legislative Affairs for the Kansas Chamber of Commerce and Industry. Thank you for this opportunity to express KCCI's opposition to passage of SB 523.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

KCCI's opposition to the legislation before you is not based on the particular requirements that will be imposed on health insurance, but on the Kansas Chamber's longstanding concern regarding health insurance mandates. As this Committee certainly understands, if passing SB 523 negatively impacts the cost of insurance, it will not be insurance companies who will

Senate Financial Institutions & Insurance
Date 2/22/00
Attachment

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Instead, the cost will be passed along to all Kansans who receive their insurance through policies governed by state law.

Those affected by state insurance mandates are Kansans insured in small groups and individual policies. These are also the people who have the hardest time finding affordable insurance. The net result of new mandated insurance coverage is to make insurance more expensive, which drives more Kansans to choose not to purchase health insurance.

KCCI also challenges mandate proposals because they are an additional intrusion of government into the private insurance market. Insurance is a private sector contractual arrangement. The elements that make up an insurance product should be developed to meet the needs of consumers by insurance companies, not lawmakers.

One final point. Last legislative session, a testing procedure utilizing the Kansas health insurance program was approved by the legislature regarding insurance mandate questions. If there is merit found in the mandate proposed in SB 523, KCCI would urge that the testing mechanism be first employed, rather than imposing the mandate on the private sector, as would happen if the bill before you today is approved.

Thank you for considering the Kansas Chamber's concerns regarding SB 523. I would be happy to answer any questions.



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Financial Institutions and Insurance
FROM: Linda J. De Coursey, Director of Government Affairs Division
RE: SB 574 – Deceptive sale or promotion of health-related cash discount cards
DATE: February 22, 2000

Mr. Chairman and members of the Committee:

Thank you for the opportunity to discuss with you SB 574 regarding the deceptive sale or promotion of health-related cash discount cards. When the Commissioner heard about this topic, it piqued her interest regarding protection for the consumers. Consumers, particularly older citizens, are sometimes targeted for the health and prescription discount card programs, as well as the uninsured, and those who have cut back their insurance coverage to catastrophic coverage in order to save money. With the higher costs of prescription drugs and health services, these “discount cards” look even more attractive, when they tout discounts savings of 40 to 60 percent.

To be fair, there are many health-care and prescription discount card programs marketed by reputable companies (Sears; American Automobile Association –AAA; and American Association of Retired Persons-AARP). The problem arises when unscrupulous companies promise much more than they deliver, and consumers misunderstand what they are paying for or mistake the product for an insurance product. That is a deceptive trade practice under insurance law. SB 574 is an attempt to eliminate the deceptive marketing of discount cards.

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Senate Financial Institutions & Insurance
Date 2/22/00
Attachment 6

Section one of SB 574 is the definition section. It defines the "discount card", the "health care provider", and "person".

Section two sets out that it is unlawful for any person to sell, market, promote advertise or otherwise distribute any discount card that: 1) does not boldly and prominently state that the discount is not insurance; 2) does not state that a contract exists with each health care provider listed; and 3) does not deliver the discounts or range of discounts advertised, regardless of the literal wording used.

Section three basically sets out the design for lawsuits and penalties: (1) WHO CAN SUE AND FOR WHAT REASON. Anyone can sue anyone to stop the selling of these deceptive cards or other provisions prohibited under this act. The person suing can also collect damages. (2) WAIVER OF PERSONAL JURISDICTION. If one violates this act, one waives his/her right to contest personal jurisdiction of Kansas courts. (3) CHOICE OF FORUM FOR LAWSUIT. A lawsuit can be filed where the plaintiff lives or works or where the cards were sold, marketed, promoted, advertised, etc. (4) WHAT EXACTLY A COURT CAN ORDER A VIOLATOR TO DO. If a court finds that someone is violating this act, it shall order that person to stop. The person suing the violator needs not prove he/she actually suffered financial loss, unless the person wants to recover "actual damages" or actual financial loss. In addition to (or instead of) this financial loss, the person suing the violator may recover \$100 per card or \$10,000, whichever is greater; three times the actual financial loss; reasonable attorney's fees; costs; and any other relief the court deems proper. (5) HOW MUCH TIME ONE HAS TO SUE. One has two years to sue, after discovering a violation. One may get another 180 days if the violator prevented one from suing. (6) NO MAXIMUM PENALTY; DOES NOT PREVENT

APPLICATION OF OTHER LAWS TO VIOLATOR. The penalties listed previously are cumulative and in addition to other applicable criminal, civil or administrative penalties.

Section four of the bill states that any person selling, marketing, promoting, or distributing any discount card in Kansas shall designate an agent, residing in Kansas, for service of process and register the person with the secretary of state.

Mr. Chairman and members of the committee, SB 574 does not prohibit the sale of the discount cards, but it sets out what is unlawful, and prescribes penalties, thereto. SB 574 will add protection to the consumers of Kansas. We respectfully recommend your favorable consideration of this bill.



THE KANSAS PHARMACISTS ASSOCIATION
1308 SW 10TH AVENUE
TOPEKA, KANSAS 66604-1299
PHONE (785) 232-0439
FAX (785) 232-3764

ROBERT R. (BOB) WILLIAMS, M.S., C.A.E.
EXECUTIVE DIRECTOR

TESTIMONY

Robert R. Williams, Executive Director
Kansas Pharmacists Association

My name is Bob Williams, and I am the Executive Director of the Kansas Pharmacists Association. I would like to thank you for this opportunity to address the Committee on matters relating to Senate Bill No. 574.

It is our understanding that SB 574, is designed to address a growing concern among consumers and health care providers as to the proliferation of misleading consumer discount cards in the State of Kansas. In recent years, pharmacists across the state have advised us as to the increasing prevalence of misleading consumer discount cards applicable to the purchase of prescription drugs. As with all things, there are good programs and bad programs. We do not see SB 574 as adversely affecting the good programs, the legitimate prescription drug discount cards. Rather, we believe this

Senate Financial Institutions & Insurance
Date 2/22/00
Attachment 7

bill's purpose is to reign in promoters/issuers of discount cards who mislead consumers as to the potential benefits of the cards.

The "discount cards" at issue purport to give consumers a discount on prescriptions and other health-related purchases. Although some cards are provided free of charge to the consumer, many cards require the consumer to pay an additional fee to the distributor. For example, one such card requires a payment of \$7.95 per month.

Many of these cards are identical in appearance to insurance cards. However, unlike insurance cards, the consumer is usually required to pay the full price for the product, rather than making a co-payment and having the insurance company pay the balance. These programs are often targeted at elderly consumers who are dependent on medication and living on limited incomes. Often the benefits promised these elderly consumers are never realized, which is a great cause for concern. In the words of Mark Pryor, the Attorney General for the State of Arkansas: "Some health discount cards promise a lot more than they can deliver, some are worthless and others are outright frauds." SB 574 is designed to address these concerns.

Section 2 of SB 574 requires that distributors of discount cards expressly state in bold and prominent type on the face of the card that the program is not insurance. Pharmacists have indicated that consumers often act with the understanding that the "discount card" programs are insurance, and are surprised to learn that they are paying 100% of the price for the medication. In addition, due to the similarity between insurance cards and discount cards, pharmacists often make the mistake of accepting the card based on the card's appearance, which creates a reasonable belief that the card in question evidences the consumer's insurance. By the time the pharmacist determines that the card is a "discount card," and thus a card that the pharmacy does not accept, the pharmacy has already incurred a transaction fee for electronically submitting a claim to the card's issuer. Obviously, the time, money and confusion saved by requiring this disclosure make the legislation worthwhile.

Section 2 also requires those offering a discount card to have a "separate" contract with those health care providers listed as accepting the discount card. We believe this provision will deter misleading advertising which, for example, suggests to consumers that their local pharmacy will accept the discount card. It is not unusual for pharmacies, even though they have not signed a contract

obligating them to accept such cards, to be identified in advertisements as providers who accept such discount cards. Patients who have a relationship with or live in proximity to a particular pharmacy are thus inclined to purchase the discount card, based on the mistaken belief that the pharmacy accepts it.

The third and perhaps most important aspect of Section 2 is the prohibition against discount card promoters making false and misleading claims as to the nature and significance of the discounts being offered. The marketing campaigns associated with these cards will often claim that the bearer of the card will receive up to 40%-50% off of the cost of their prescription drugs. Attached are press releases issued by the Attorneys General for the states of Arkansas, Kansas and Iowa. Each press release expresses concern regarding the truthfulness of representations made as to the significance of the discounts associated with the use of such cards.

Pharmacists who have contacted me have indicated they have never noted an instance where a patient has received a discount of 40% to 50% on the cost of the patient's prescription drugs by using a discount card. Rather, they have advised there are more often instances where the price paid by the consumer is no less than the pharmacist's usual

and customary price. Thus, the promised discounts are illusory, and in reality, consumers in these instances realize no savings whatsoever by using the discount card. And to compound the illusion, a consumer most likely is unaware that no savings are being gained by using a discount card, unless the pharmacist provides an explanation. This inequity is further exacerbated where the consumer pays a fee to obtain the card.

In summary, Senate Bill No. 574 will not prohibit the use of discount cards, and it will not penalize the issuers of legitimate discount cards. It will simply require honesty in the issuance and promotion of these cards, thereby providing protection for patients. KPhA respectfully requests that the Committee recommend the bill favorable for passage.

CONSUMER ALERT

from the office of
Arkansas Attorney General Mark Pryor

For release Friday, March 26, 1999

CONTACT: Perrin Jones
682-2341 or 1-800-482-8982

LITTLE ROCK - Attorney General Mark Pryor today issued a special alert directed primarily toward senior citizens, who may be offered so-called "discount cards" that supposedly give a hefty price cut on prescriptions and other health-related purchases.

"These offers sound good but consumers should be careful," Pryor said. "Some health discount cards promise a lot more than they can deliver, some are worthless and others are outright frauds."

Targeting older citizens, these offers may come in the mail or through a call by a salesperson asking to set up a meeting to explain the company's program. "The home visit imparts a sense of urgency that can lead to snap decisions," the Attorney General warned.

"Some of these cards cost hundreds of dollars a year," Pryor said. "But the promises of 40 percent or more in discounts are extremely tempting. Unfortunately, the

(MORE)

-2-

purchaser often finds that their pharmacy doesn't even accept such cards."

The Attorney General said that some discount cards have been sold with promises on dental care, optometry services and chiropractic services. Too late, the buyer discovers that the service providers won't accept the card. Promises that health care professionals "will be signing up soon," lead to the sad reality that no one has even tried to enlist them.

"Consumers should take their time and check with their pharmacy and health care providers as well as with their health insurance company," Pryor said. "Senior citizens should remember that they may already receive age-based discounts and these may render any value of the cards worthless. Always find out for certain before signing up for a discount card or call the Consumer Protection Division of the Attorney General's Office."

For further information on other consumer matters, contact the Consumer Protection Division of the Attorney General's Office at 200 Catlett Prien Tower Building, 323 Center Street, Little Rock, AR 72201. The office can be reached by calling 682-2341 (Little Rock) or 1-800-482-8982. TDD service is available for the hearing impaired. The address on the World Wide Web is www.ag.state.ar.us.

TO: [faded]
FROM: [faded]
SUBJECT: [faded]
DATE: [faded]
TIME: [faded]
BY: [faded]
RE: [faded]



CARLA J. STOVALL
ATTORNEY GENERAL

State of Kansas

Office of the Attorney General

CONSUMER PROTECTION DIVISION

301 S.W. 10TH, LOWER LEVEL, TOPEKA 66612-1597
PHONE: (785) 296-3751 FAX: 291-3699 TTY: 291-3767

CCID Peter
Stovall
2-16-99

CONSUMER HOTLINE
1-800-432-2310

FOR IMMEDIATE RELEASE
Monday, February 15, 1999

Compiled and edited by
CAROLE A. WALTON
Special Agent

CONSUMER CORNER PRESCRIPTION DISCOUNT CARDS DON'T ALWAYS SAVE CONSUMERS MONEY

Attorney General Carla J. Stovall offers this public service to help you avoid becoming a victim of consumer fraud. Although some of the details have been changed, the cases appearing in this column are based on actual complaints. For further information or to file a complaint, please write Attorney General Carla J. Stovall, Consumer Protection Division, Kansas Judicial Center, Topeka, Kansas 66612, or call the toll-free Consumer Hotline, 1-800-432-2310. Leave your name, number and subject of your inquiry with the receptionist and an agent will return your call promptly.

Dear Attorney General Stovall:

Recently I received an offer in the mail for a prescription discount card from my credit card company. I really became interested after seeing in big, bold letters: "Save money on your prescriptions!!" After taking a closer look at the brochure and application, I saw that using this prescription discount card could save me between 10 and 60 percent on prescription drugs, hearing aids, eyeglasses, contact lenses and other medical products, for only \$7.95 per month. Because my wife and I both take medication regularly and are on a fixed retirement income, it sounded like a good deal and we signed up right away.

Unfortunately, my enthusiasm about our new prescription discount card quickly faded when I went to my local drugstore to pick up our regular prescriptions. Even though the flyer said that the card was accepted by all drugstores, my pharmacist said his store did not accept it and he could not give me the discount the card promised. Initially, I was angry with my pharmacist, but then he explained that if he gave me the "discount" associated with my prescription card, I would actually be paying more than the pharmacy's everyday price. The \$7.95 monthly fee may not seem like a lot of money, but it is too much to pay for little or no benefit. Attorney General Stovall, can you help get us the discounts we were promised?

Dear Kansas Consumer:

After receiving several consumer complaints and information about this problem from pharmacists across the state, my Consumer Protection Division began investigating the companies which administer these discount cards, often called Prescription Benefit Management Companies, or "PBM's." The PBM's market their prescription discount cards through "sponsor" companies such as banks, credit cards, social organizations or clubs.

Some insurance companies have even acted as sponsor companies for prescription discount cards. It is important to realize that these cards are not insurance cards. While these companies promise substantial savings on prescriptions and medical supplies, there is no guarantee that their prices will be lower than the pharmacy's regular cost. Pharmacists' prices are usually based upon a formula and the base prices of drugs fluctuate. Therefore the price, based upon a your pharmacy's formula, may actually be less than the price offered with the prescription discount card for the same drug.

My Consumer Protection Division contacted the prescription discount card company and it agreed to refund all of your payments for the card. We are continuing to investigate possible deceptive practices involving these cards. If you use prescription discount cards expecting huge savings on your regular prescriptions, be aware that you may not always receive the amount of savings promised. In some situations the cost to use the card may be higher than without it. If you choose to use one of these cards, ask your pharmacist what the cost of the prescription is with and without the discount card to determine if the card is really saving you any money.

CONSUMER ADVISORY

By Attorney General Tom Miller

August 1998

Health "Discount Cards" -- A Prescription for Wasting Money?

Various companies now are offering "discount cards" that supposedly give consumers a price cut on prescriptions and other health-related purchases. Sounds good – but be careful: some health discount cards promise more than they can deliver, some are worthless, and some are outright frauds.

Discount card offers tend to target older citizens. The offers may come in the mail, or you may get a call from a salesperson asking to come to your home to explain the company's program. Sellers may make the offer sound too good to pass up, and they may urge you to make a "snap decision."

Be wary. The cards may cost hundreds of dollars per year, and some companies promise much more than they deliver. For example, companies have promised that the cards could be used for discounts up to 40% at certain pharmacies – but, after paying for a card, consumers discover that their pharmacy doesn't accept it.

Discount cards also have been sold with promises that consumers can save on dental care, optometry services, and chiropractic service. But consumers often find that their local health-care professionals don't accept the card. Some consumers have been told that their health care professional will be signing up to accept the card, only to find that no one has even approached the health providers about signing up to accept a card.

Follow these tips when you are offered a health care discount card:

- Never sign up for a prescription or health care discount card without finding out for certain that your pharmacy or health care providers accept it. Check in advance with your health providers. Also check with your health insurance company for its thoughts.
- Don't rely on sales pitches that a certain rate of pharmacies or health care providers accept the card (such as, "over 50% of pharmacies accept the card.") Touted participation rates may be misleading or simply false.
- Remember, senior citizens often already receive discounted prices from many pharmacies and other health providers. Always check with them first, and never pay large sums in advance for a discount card.
- Finally, call the Attorney General's office at 515-281-5926 to see if there have been any complaints about the company offering the card.

Consumer Protection Division • Hoover Building, Second Floor • Des Moines, Iowa 50319 • 515/281-5926

TOTAL P.02

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79



THOMAS J. MILLER
ATTORNEY GENERAL

CONSUMER PROTECTION DIVISION
HOOVER BUILDING
DES MOINES, IOWA 50319
TELEPHONE 515-281-8938
TELEFAX 515-261-6771

Department of Justice

July 30, 1998

Patty Kumbera, RPh
Director of Managed Care Services
Iowa Pharmacists Association
8515 Douglas Avenue, Ste 16
Des Moines, IA 50322

Dear Patty:

Enclosed please find a copy of our August, 1998 Consumer Advisory regarding discount cards. I thought you would be interested in receiving a copy. The Consumer Advisory is a monthly column which we mail to over 2,000 newsletters and newspapers across the state. In addition, members of our office regularly do radio interviews concerning the Consumer Advisory. I have already done a radio interview with a Burlington radio station concerning this Advisory. Please let me know if you would like additional copies. Please feel free to make copies of the enclosed Advisory.

Sincerely,

WILLIAM L. BRAUCH
Special Assistant Attorney General
Director - Consumer Protection Division

/vsm

From: Richard E. Beck, P.D. <rbeck@arpharmacists.org>
To: NCSPAEMEM@NS1.INFIN.NET <NCSPAEMEM@NS1.INFIN.NET>
Date: Monday, May 17, 1999 2:53 PM
Subject: Fw: CNN article

----- Original Message -----

From: C.A. Kuykendall
To: rbeck@arpharmacists.org
Sent: Monday, May 17, 1999 1:39 PM
Subject: CNN article

Discount drug cards can hurt

Watchdogs say health, prescription cards don't always deliver on promises

May 14, 1999: 7:51 a.m. ET

NEW YORK (CNNfn) - You've no doubt seen the ads -- prescription drug and health care cards offering deep discounts for consumers.

Many claim they can save you 50 percent or more on out-of-pocket pharmaceutical costs -- an especially tempting proposition for senior citizens who spend huge portions of their income on prescription drugs and often get no help from insurance.

But some industry insiders say these aggressive marketing pitches aren't always what they're cracked up to be. And in some cases, they warn, consumers are getting less than you bargained for.

"There's a lot of [controversy] going on about these cards right now," said Richard Beck, executive vice president of the Arkansas Pharmacists Association, a critic of discount card programs. "These cards promote discounts of up to 60 percent and they are largely inaccurate."

How have they been getting away with it?

"Nobody's challenged them," Beck said.

The cards

For the most part, prescription discount cards target retired citizens, who no longer receive health care coverage from their employers. After age 65, many Americans rely on Medicare for their health care needs. But Medicare doesn't cover prescription drugs.

The programs are also marketed to the uninsured, and those who have cut back on all but catastrophic coverage on their existing health plans to save money.

In a sense, the discount cards are looking to pick up where traditional insurance and the federal government leave off.

Before paying for a discount card, check with your state consumer affairs or Attorney General's office to research any complaints against the company.

Stepping back

To be fair, there are lots of discount health card programs marketed by reputable companies.

For example, Sears, Roebuck & Co. (S), some state offices of the American Automobile Association (AAA) and the American Association of Retired Persons (AARP) offer discount prescription membership clubs.

Sears charges \$40, \$50 and \$89 a year for its discount cards, which offer a range of discounts on pharmaceuticals and dental care. Its promotional material says you can save 20 percent on brand name drugs, and up to 60 percent on generics using its cards.

But Sears spokeswoman Jan Drummond said members who call with any complaint about the program, or who simply wish to cancel their membership mid-year, get full refunds. No questions asked.

Some companies strictly offer discounts on pharmaceuticals. The need for that alone is great - the prescription drug market reached \$92 billion last year.

Increasingly, though, the card programs popping up across the country offer a smorgasbord of discounts on ancillary health services, including dental, vision and chiropractic care.

Comprehensive Health Group, for example, offers two different discount card programs that include a mixture of dental, vision, pharmaceutical and chiropractic savings.

"The marketplace for these cards has grown tremendously," said Sander Slomovic, CHG's vice president of provider relations for relations. "It's not just seniors who are buying them. These cards provide all the ancillary [services] that many Americans do not have benefits for. It's kind of like a Sam's Club membership for your health care."

He noted the discounts made possible by CHG's cards vary dramatically, but can range from 10 percent to 60 percent on average. The first visit to a therapist in CHG's chiropractic network, he said, will translate into a 50 percent savings.

Likewise, the mail-order pharmacy card "offers a very high rate of savings" for consumers since the middle man, or pharmacy, is cut out of the equation.

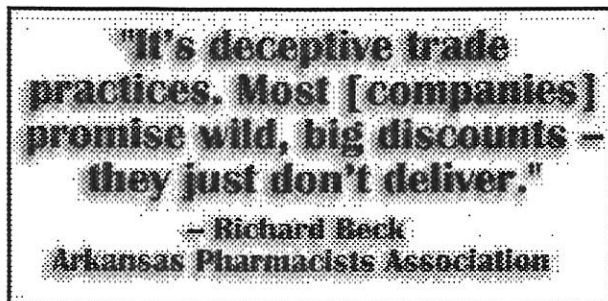
Recently, Slomovic said, medical doctors have climbed on board. Many have agreed to treat card-carrying patients at negotiated discount rates.

CGH sells its discount card, which includes all the ancillary benefits plus the physician discounts, for \$170 a year. Its card offering only ancillary benefits costs \$100 a year.

The cards are good for the whole family and come with a money-back guarantee.

Warnings

Problems arise with some card companies, however, when consumers misunderstand what it is that they are paying for – or accept the marketing pitches of these companies on blind faith.



Last summer, Iowa's Attorney General Tom Miller issued a consumer advisory to warn the public about the hazards of "discount cards."

"Be wary," it said. "The cards may cost hundreds of dollars per year, and some companies promise much more than they deliver."

It further stated that some companies promise their cards can be used for discounts of up to 40 percent at certain pharmacies. But, after paying for a card, consumers discover that their pharmacy doesn't accept it.

Moreover, some discount cards have been sold with promises that consumers can save on dental care, optometry services, and chiropractic service. But when consumers go to use them, it said, they often find that their local health-care professionals don't accept the card.

Beck, of the Arkansas Pharmacists Association, said that's been happening in his state, too. His organization, along with several senior groups, helped push through state legislation last month aimed at eliminating deceptive marketing of discount cards.

"A lot of consumers get confused and think that these are insurance cards," he said. "It's deceptive trade practices. Most [companies] promise wild, big discounts – they just don't deliver."

Beck said repeated complaints have been filed against card companies that convince consumers their local pharmacist will honor their discount. Too often, however, those discounted rates are not available to cash-paying customers or discount cardholders. Instead, they are the rates that the pharmacist has agreed to accept from larger insurance companies.

The legislation also mandated that the cards must be able to deliver the kind of discounts they advertise.

The other side

In defense of the industry, Slomovic of CHG said his company clearly states on its membership cards and recruiting literature that the discount program is not an insurance policy.

Same goes, he said, for the 100 or so discount card companies he's had contact with.

(A call to the Governor's Office of Consumer Affairs in Georgia revealed no consumer complaints have been filed against CHG.)

"I don't really know where [these complaints in Arkansas] are coming from," Slomovic said. "We caution our customers and providers as well that they can't use these cards as insurance. It's totally separate."

Tips

If you're still thinking those discounts sound appealing, by all means look into it. But use these tips from the Iowa

Attorney General as guidance:

—Never sign up for a prescription or health care discount card without finding out for certain that your pharmacy or health care providers accept it. Also, check with your health insurance company for its thoughts.

—Don't rely on sales pitches that a certain rate of pharmacies or health care providers accept the card (such as, "over 50 percent of pharmacies accept the card.") These claims may be misleading or simply false.

—Remember, senior citizens often already receive discounted prices from many pharmacies and other health providers. Check with them first, and never pay large sums in advance for a discount card.

—Lastly, call the consumer affairs or Attorney General's office in your individual state to find out if any complaints have been filed on the company offering you the card.

(You can also click here for AARP's tips on keeping drug costs affordable)

Going with a company that offers money-back guarantees can't hurt either.

—by staff writer Shelly K. Schwartz

RELATED STORIES:

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Seniors losing banking perks - Nov. 20, 1998

RELATED SITES:

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National Association of Mature Citizens

Track your stocks

Frequently Asked Questions

Q.

How much will I save?

Prices and savings vary, depending on the drug and the pharmacy. **ScriptSave** cardholders receive special pricing on prescription purchases through **ScriptSave** Preferred Pharmacies. If generic drugs are an option, savings may be greater than they would be for brand name drugs.

A.

Q.

What if the pharmacy price is lower than the discounted price?

Occasionally this will happen when the pharmacy has a special price for a particular drug. You will pay the lower of the two prices.

A.

Q.

Which drugs can I receive discounts on with my **ScriptSave** card?

All covered prescription drugs are eligible for discounts. There is no preferred listing to consult or formulary to show your doctor.

A.

If I travel outside my hometown, am I still eligible for my **ScriptSave** savings?

With **ScriptSave**, you can feel secure in knowing that there will always be a **ScriptSave** Preferred Pharmacy nearby to serve you.

How can I find out what my savings will be?

Because drug pricing can vary a great deal, **ScriptSave** cannot quote what your price will be on a specific prescription. Likewise, participating pharmacies also cannot quote prices for **ScriptSave**.

Cardholder Service

For program questions or to locate a pharmacy near you, please call

1-800-700-3957

Weekdays 9 a.m. - 8 p.m. EST
Saturdays 10 a.m. - 3 p.m. EST

<http://www.scriptsave.com>

The **ScriptSave** program is administered by Medical Security Card Company.

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Form G200

ScriptSave

Preferred Pharmacy Network

A & P Supermarkets	Cub Foods	Foodmax	Hi-School	Pamida	Smith's
ABCO	Dierbergs	Food Town	Horizon	Pathmark	Stop & Shop
Acme Pharmacies	Dillons	Food World	Hy-Vee	Pharm	Super 1
Albertson's	Discount Drug Mart	Fred's	Jewel-Osco	Pharmhouse	Super D /USA Drug
Alexander's Shop 'N Save	Dominick's	Fred Meyer	Kash 'n Karry	Phar-Mor	Super Foodmart
All Care	Drug Emporium	Fruth's	Kerr Drugs	Price Chopper	Super Fresh
Big Bear	Drug Fair	Fry's	King Kullen	Price Rite	Target
Biggs	Duane Reade	Gerbes Pharmacy	KMart	Publix	Tops Pharmacy
Bi-Lo	Eagle Food Center	Giant Eagle	Kroger	Rite Aid	Ukrop's
Brookshire	Eckerd	Giant Food Stores	Louis & Clark	Safeway	United Supermarkets
Brookshire Bros.	Edwards	Grand Union Co.	Marc's	Sav-A-Center	Vix
Bruno's	F&M	Hannaford	Martin's	Sav-On	Waldbaum's
Buttrey Food and Drug	Fagen Pharmacy	Harp's	Med-X	Schnucks	Weis Markets
City Markets	Farm Fresh	Harris Teeter	Medicap	ShopKo	Winn Dixie
	Farmer Jack	Harvest Foods	Medistat	Shop 'N Save Food & Drug	
	Finast	H.E.B.	Osco		

SAVE AT THESE PARTICIPATING PHARMACIES

ScriptSave

Making Prescriptions Affordable...
Keeping You Healthy.

This partial pharmacy listing is subject to change.
Some individual pharmacy locations may not participate.

Many independent pharmacies also honor the **ScriptSave** card. For participating pharmacies in your area please call Cardholder Service at:

1-800-700-3957

Mail Order Prescriptions:

Prescriptions are also available through mail order for long term medications. Please call 1-800-499-0214

What *ScriptSave* Cardholders Are Saying

"We really like our card. We're going through some tight times, so it made a difference for us. Thanks!"
- Hot Springs, AR

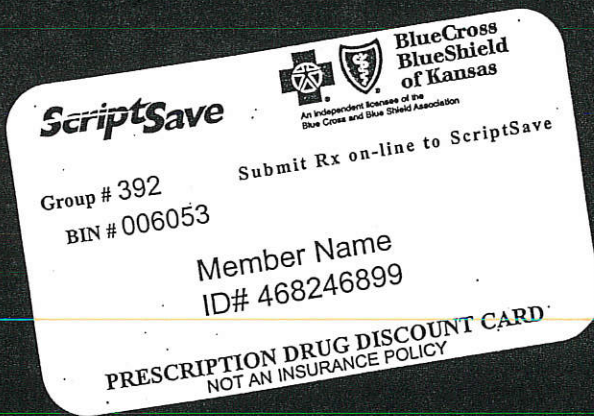
"I like the ease of using it, plus the great savings."
- Knoxville, TN

"Once the card is approved by the pharmacist and is on the computer, I don't have to show my card. This has been a Valuable service and I enjoy the discount. Thank You!"
- San Antonio, TX

"My eighty-three-year-old mother saved over 20% on six prescriptions. What a great Program?"
- Winter Park, FL

"I've never been given a free benefit like this. I can't thank you enough for the big help this has been."
- Greensburg, PA

Your No Cost Prescription Savings Card



- Your *ScriptSave* discount card is provided at no cost to you and is effective immediately!
- Best price on generic and brand name drugs!
- With *ScriptSave*, there are no fees, no waiting periods, and no pre-existing exclusions!
- No claim forms to file!
- Everyone in your household can use the card as often as needed!

Your *ScriptSave* Card Saves You Money

Your Plan Sponsor has arranged for you to receive discounts on all drugs purchased at any *ScriptSave* Preferred Pharmacy. All *ScriptSave* pharmacies have been carefully selected and have agreed to provide pricing and services which benefit you, the *ScriptSave* Cardholder.

The *ScriptSave* Best Price Guarantee

Your *ScriptSave* card guarantees you the lowest price possible on covered prescriptions you purchase. If a brand name or generic drug is available through your participating pharmacy at a lower price than the *ScriptSave* negotiated price, you will always pay the lower of the two prices.

Additional Savings

If generic drugs are an option for you (ask your pharmacist or doctor), your savings with the *ScriptSave* card may be even greater.

How To Use Your *ScriptSave* Card

Select a pharmacy from the list shown here.

STEP 1 For additional pharmacies in your area, please call Cardholder Service at 1-800-700-3957.

STEP 2 Have your doctor call your prescription into any participating pharmacy, or simply present your existing prescription to any *ScriptSave* Preferred Pharmacy.

STEP 3 Give your *ScriptSave* card to the pharmacist. The pharmacy will verify your eligibility and obtain the discounted cost of your prescription within seconds. Pay only the special *ScriptSave* price. It's that easy!

97-74 7-17
The *ScriptSave* card is provided to you as a free service of your Plan Sponsor. It is not an insurance policy and it is not part of any insurance contract. Medical Security Card Co. and your Plan Sponsor reserve the right to discontinue this program at any time and are not responsible for the actions of any participating pharmacy.

Medical Security Card Company MSC/ScriptSave Plan Design Page for ScriptSave

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JAN-25-2000 09:12

Quick Facts about MSC

- ScriptSave is a 100% co-pay program
- Cardholder is responsible for 100% of the co-pay
- Cardholder will pay the **lowest price** available for the medication, whether it is your usual and customary price or the contracted reimbursement rate.
- ScriptSave is a value-added benefit to a cardholder's policy or membership in a healthcare organization.
- ScriptSave is **NOT** a sold program.
- The ScriptSave preferred pharmacy network **excludes** CVS, Walmart, and Walgreens.
- All prescription drugs are eligible for a discount.
- There is an unlimited days supply

Help Desk

- Knowledgeable ScriptSave staff is available from 9am-9pm EST Monday-Friday and 10am-3pm EST Saturday. Please call for any assistance needed. **800-700-3957**.
- Please refer your patients to the same number for any questions they may have regarding their ScriptSave or Blue Saver card.

41-6

Reimbursement Rates

Brand: AWP - 13% + \$2.50 + (\$1.00 admin. Fee)

Generic: AWP -30% or HCFA MAC + \$2.75 + (\$1.00 admin. fee)

Administrative Fee

- Each time a prescription adjudicates at the contracted reimbursement rates there will be an administrative fee included in the cardholders co-pay.
- This fee guarantees the cardholder the **lowest price** for the prescription.
- The administrative fee **does not** reduce your net dispensing fee.
- When your **Usual and Customary price is lower** than the contracted reimbursement rates, **NO FEES** will be included.
- You will be invoiced monthly for the total administrative fees collected.

Example

Contracted ingredients cost	\$10.00
Contracted dispensing fee	2.50
Administrative fee	1.00
Total fees included in co-pay	(3.50)
Total Co-pay	13.50
Amount invoiced by MSC	1.00
Your Net	12.50

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Medical Security Card Co., dba ScriptSave Independent Pharmacy Information Sheet (IPIS)

Please complete in order to receive a contract.

By returning this sheet to ScriptSave you are stating you agree to the terms outlined on the Plan Design Sheet and would like to review the complete MSC Participating Pharmacy Agreement.

Please PRINT or TYPE CLEARLY

Pharmacy Name: _____ DBA: _____

NABP #: _____ Phone #: _____ Fax#: _____

Street: _____ City: _____ State: _____ Zip: _____

County: _____

Is this location part of a chain? Yes No Which one: _____ NCPDP Chain Code: _____

Is this location part of a pharmacy co-op? Yes No Which one: _____

Will more than one location participate in the ScriptSave plan? Yes No Number of stores to participate _____
(If more than one location is participating, please include a store list when returning this page.)

Person authorized to sign contracts? First and Last name _____

Special Services
What special services do you provide? _____

Are you and institutional pharmacy? Yes No

Snapshot of ScriptSave

Brand reimbursement:
AWP -13% +\$2.50 (+\$1.00 administrative fee)

Generic Reimbursement:
AWP -30% or the HCFA Mac +\$2.75(+\$1.00 administrative fee)

No Fees collected when your U&C is the lowest price!

Invoicing Information
Do you want an invoice reflecting the activity of all your locations to be sent to one location? Yes No, send one to each

Address we should send the invoice

Street: _____ City: _____ State: _____ Zip: _____

To whom shall we send the invoice? First and Last name _____

ScriptSave Use Only

Bill to number: _____ Date entered into TCS: _____ Version: 100.178

Entered into locator: _____ Confirmation phone call made: _____

Main Office: 333 E. Wetmore 4th Floor Tucson, AZ 85705
Remittance address: P.O. Box 61833 Phoenix, AZ 85082-1833

**Please return to ScriptSave (520) 888-9651 or (520) 888-9654

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TOTAL P.05