

- SUBJECT:** Covering prescription drugs to stop smoking among state employees benefits
- COMMITTEE:** Pensions and Investments — committee substitute recommended
- VOTE:** 5 ayes — Ritter, McClendon, Martinez Fischer, Pena, Rose
0 nays
1 present not voting — Grusendorf
1 absent — Telford
- WITNESSES:** For — Eileen Smith, American Heart Association
Against — None
On — William Nail, Employees Retirement System
- BACKGROUND:** The 64th Legislature in 1975 enacted the Texas Employees Group Benefits Act, creating what is now referred to as the Uniform Group Insurance Program (UGIP), to protect the state’s investment in each employee by “promoting and preserving economic security and good health among employees.” The Employees Retirement System of Texas (ERS) administers the UGIP, which offers group health insurance to state employees through several health plans: a preferred provider plan — HealthSelect, and four health maintenance organizations (HMOs) — Community First, FirstCare, Mercy Health Plans, and Scott & White Plan.
- These health plans permit employees to purchase prescriptions according to a three-tier structure that sets copayments for generic drugs that are on the plan’s formulary (\$10), brand-name drugs that are on the plan’s formulary (\$25), and brand-name drugs that are off the plan’s formulary (\$40). Currently, HealthSelect and one of the four HMOs offer prescription smoking deterrents on their drug formularies.
- DIGEST:** CSHB 88 would amend Insurance Code 1551.205 to stipulate that the ERS board of trustees could not provide a coverage plan that offered prescription

drugs to assist smoking cessation at a lower benefit level than other prescription drugs.

The bill would take effect September 1, 2003.

**SUPPORTERS
SAY:**

CSHB 88 would help reduce the health and financial costs associated with smoking by providing adequate coverage of smoking cessation drugs for smokers employed by the state who wished to quit. According to the Mayo Foundation, more Americans die each year from smoking-related diseases than from alcohol abuse, AIDS, drug abuse, car accidents, fire, suicide, and murder combined. Centers for Disease Control Prevention (CDC) data show that each smoker annually incurs an average of \$1,600 in excess medical expenditures. The Journal of Occupational Health and Environmental Medicine finds that employees who smoke have annual health expenditures that exceed those of nonsmoking employees by 14 to 20 percent and that smokers lose an average of 4.1 hours per week due to illness-related absence, short term disability, and reduced productivity.

With more than 68,000 state employees estimated to be smokers, Texas should place a greater emphasis on prevention and cessation. Covering smoking deterrent medications could be one of the most important and effective of the state's public health and preventive medicine initiatives. Smoking deterrents, however, do not appear on the drug formularies of most of the plans that offer care to Texas state employees, despite ample evidence of the expense involved with covering employees who smoke.

Studies have shown that as many as 80 percent of smokers would like to quit and that many have attempted to quit one or more times. The difficulty is the addictive nature of nicotine. New prescription pharmaceuticals, such as Zyban and nicotine replacements, are proving to be highly effective tools for smoking cessation, especially when combined with counseling and other regimens. A report by the Surgeon General shows the success rate of programs that combine behavior modification with prescription pharmaceuticals is 20 to 25 percent. Based on that rate, the state could expect 11,900 smokers to kick the habit successfully each year, which would translate into more than \$19 million in excess medical expenditures that ERS could save each year.

To control the growth of health care costs, Texas must attack the root causes of the greatest health expenditures, such as smoking. Rather than trying to recover money that the state already has spent on tobacco-related illnesses, this bill would help avoid these expenditures in the first place.

The CDC has officially recommended that all insurance plans include reimbursement for smoking cessation prescription drugs. Since the state of Texas is the state's largest single employer, it is of paramount importance that all state-sponsored health plans offer these medications at the same benefit level set for other prescription drugs.

**OPPONENTS
SAY:**

The state offers health insurance benefits, including prescription drug benefits, for people who are ill. In general, smokers are not ill. They are otherwise healthy individuals who have chosen a bad habit, which they could quit on their own, and pay for on their own if they found that they needed to use smoking cessation drugs. Smoking is an expensive habit, so there are cost incentives, as well as health ones, to stop. Any expenses related to stopping smoking, however, are not appropriate for the state to bear.

NOTES:

The committee substitute differs from the bill as introduced by conforming it to Texas Legislative Council drafting style.

The fiscal note for CSHB 88 reflects no significant fiscal implication. ERS estimates smoking cessation drugs add from 13 to 23 cents per covered life per month. Assuming the current enrollment in the UGIP of 531,000 and an average cost of 18 cents for smoking cessation drugs per covered individual per month, the additional annual cost to the UGIP would be an estimated \$1,147,000. The estimated additional cost to the UGIP, however, would not be expected to be significant enough to cause an increase in group health insurance premiums.