



STATE OF INDIANA

Mitchell E. Daniels, Jr.
Governor

OFFICE OF MANAGEMENT & BUDGET

212 State House
Indianapolis, Indiana 46204-2796
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Ryan Kitchell
Director

MEMORANDUM

TO: Budget Committees Members and Alternates
Senator Luke Kenley, Chair
Representative Dennis Avery
Representative Jeff Espich
Senator John Broden
Senator Brandt Hershman
Representative Randy Borrer
Senator Karen Tallian
Representative Peggy Welch
Christopher A. Ruhl

FROM: Ryan Kitchell

RE: Federal Health Care Legislation

DATE: March 26, 2010

The Indiana Family and Social Services Administration has been working diligently to understand the new federal healthcare bill and its impact on our State. We have been fielding lots of questions about this and will share our full analysis with you when it is complete.

There is still a lot of work to do to evaluate the extra costs imposed on Indiana taxpayers, which will eventually be in the billions of dollars. FSSA has already identified one item that has an immediate \$25 million impact on our budget, and I wanted to alert you to this. Secretary Murphy explains this item and the impact to the State in the attached letter.



"People
helping people
help
themselves"

Mitchell E. Daniels, Jr., Governor
State of Indiana

Indiana Family and Social Services Administration

402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

Anne Waltermann Murphy, Secretary

March 26, 2010

Dear Ryan,

We are in the midst of untangling the new federal health care legislation signed into law by the President this week and determining its impact on the Indiana Medicaid program. We have already made an early discovery that will impact the state budget immediately.

The Indiana Medicaid program has a strong history of negotiating some of the most favorable prescription drug rebates in the nation. Our success in these negotiations has enabled Indiana to capture rebates well beyond the minimums established by the federal government.

The new federal health care reform legislation increases the minimum rebate level for most brand name and generic prescription drugs. Unfortunately for Indiana, the savings we achieve now will be confiscated by the federal government at a cost to Hoosier taxpayers. The reform legislation extends new rebates to Medicaid managed care programs, but the federal government will take it all.

In state fiscal year 2011, our estimates show an immediate impact of \$25 million, and this figure will grow each year. Over the next 10 years, we'll lose some \$400 million in rebates alone because of the federal health care reform legislation.

We wanted to bring this to your attention given its impact on the state budget. This is the first of many costs Hoosier taxpayers will feel as this federal legislation becomes effective. We continue to study the 2,500-page legislation and will keep you informed of other items that will impact the State's budget.

Sincerely,

Anne W. Murphy
Secretary
Indiana Family & Social Services Administration

