

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,610,752-		\$3,221,503-	
	\$21,178,403		\$42,356,805	
CASH FUNDS				
FEDERAL FUNDS	\$6,043,748-		\$12,087,479-	
	\$79,464,097		\$158,928,195	
OTHER FUNDS				
TOTAL FUNDS	\$7,654,500-		\$15,309,000-	
	\$100,642,500		\$201,258,000	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill requires the Department of Health and Human Services (DHHS) to provide comprehensive coverage for treatment of obesity for certain Medicaid recipients. The bill does not indicate a specific enactment date but for the purpose of this fiscal note the implementation date is assumed to be January 1, 2025.

DHHS notes that if best practices are not applied, the fiscal impact of the bill would likely exceed \$500 million annually.

The estimate produced by DHHS is reasonable based on the assumptions which are as follows:

- Obesity drugs cost \$550 per month after rebate (\$6,600 for 12 months or \$4,950 for 9 months)
- Nutrition counseling costs \$200 per month (\$600 for 3 months)
- 120,000 total Medicaid adults
- 35% or 42,000 have a BMI over 30 and would qualify for 12 months of drugs
 - 60% or 25,200 would utilize for a cost of \$166,320,000 annually
- 35% or 42,000 have a BMI between 25-29 would qualify for 9 months of drugs after 3 months of nutrition counseling
 - 15% or 6,300 would utilize for a cost of \$34,965,000 annually

The low-end range utilizes the assumption of 3% utilization for both BMI groups rather than 60% for 30+ BMI and 15% for 25-29 BMI. This assumption is twice the highest utilization realized among other states that offer this service, Michigan at 1.4%. The fund mix is based on 2/3rds of the population eligible for this new service being Medicaid Expansion clients which are eligible for 90% federal match. The remaining population is eligible for federal participation at the regular Federal Medical Assistance Percentage (FMAP).

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 907	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services	
REVIEWED BY: Ann Linneman	DATE: 2-14-2024	PHONE: (402) 471-4180	
COMMENTS: Concur with the Nebraska Department of Health & Human Services' assessment of no fiscal impact.			

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals

Date Prepared 2-13-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$21,178,403		\$42,356,805	
CASH FUNDS				
FEDERAL FUNDS	\$79,464,097		\$158,928,195	
OTHER FUNDS				
TOTAL FUNDS	\$100,642,500	\$0	\$201,285,000	\$0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB907 requires comprehensive coverage for the treatment of obesity with therapy indicated for chronic weight management, including behavioral therapy and anti-obesity medication approved by the Federal Drug Administration (FDA).

Impact to the division is calculated assuming Medicaid could implement a best practice approach for weight management, which requires step therapy with nutrition or behavior counseling. Behavioral therapy is currently covered and has no anticipated impact. Medicaid currently excludes coverage for weight loss or anti-obesity medication. Bill would require CMS approval to cover anti-obesity medications. A Behavioral Risk Factor Surveillance System (BRFSS) BMI survey was utilized to determine the Nebraskan obesity population, consisting solely of adults, as obesity information for the youth population is either unreliable or non-existent.

If best practice standards are not applied, this bill will likely exceed \$500 million per year for its fiscal impact.

The total fiscal impact is calculated over a period of 12 months. It considers 120,000 eligible Medicaid adults, with 35% having a BMI of 30 or greater and another 35% having a BMI between 25 and 29. It is estimated that 60% of those with a BMI of 30 or greater would receive anti-obesity medication and nutrition counseling, but due to a lack of literature, nutrition counseling is not quantified in this fiscal note.

Those with a BMI between 25 and 29 would complete a step program leading to medication, involving three months of nutrition counseling followed by nine months of medication. It's estimated that 25% of those in the 25 to 29 BMI range will complete the counseling and receive medication. The cost of medication with rebates is estimated at \$550 per person per month, and nutrition counseling at \$200 per person per month.

No specific date is mentioned in the bill, so the January 1, 2025, implementation date is used for the state fiscal year 2025. Hence, the total cost for SFY25 is 50% of the total annual cost. The total costs for LB907 are as follows: For SFY25, the total is \$100,642,500, with the state general fund contribution of \$21,178,403 and the federal fund contributing \$79,464,097. For SFY26, the total is \$201,285,000 with the state general fund contributing \$42,356,805 and the federal fund contributing \$158,928,195.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
	24-25	25-26	EXPENDITURES	EXPENDITURES

Benefits.....		
Operating.....		
Travel.....		
Capital Outlay.....		
Aid.....	\$100,642,500	\$201,285,000
Capital Improvements.....		
TOTAL	\$100,642,500	\$201,285,000