PREPARED BY: Sandy Sostad
DATE PREPARED: February 07, 2017
PHONE: 471-0054

LB 474

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$71,226		$20,245	
CASH FUNDS	$24,163		$4,833	
FEDERAL FUNDS	$14,301		$2,860	
OTHER FUNDS	$9,060		$1,812	
TOTAL FUNDS	$118,750		$29,750	

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

LB 474 requires that health insurance policies issued in the state which provide coverage for prescription medications shall apply a prorated daily cost-sharing rate to prescriptions that are dispensed by a pharmacy for a partial supply, if the prescribing practitioner or pharmacist determines it to be in the best interest of the patient and the patient agrees. The insurance plan shall not use payment structures incorporating prorated dispensing fees.

State Employee Health Benefit Plan: The bill will require the third-party administrator for the state employee health insurance plan to implement a prorated cost-sharing system for plan members for prescription medicines. The current administrator does not have a prorated prescription cost-sharing system as part of its offerings. It is assumed the new system will allow for co-payments for prescriptions to be prorated, which is not currently an option under the current plan.

The Department of Administrative Services indicates the third-party administrator estimates the program design costs for a new system to be $125,000 in FY 2017-18. On-going administrative costs are estimated to be $25,000 annually.

The state health insurance plan is self-funded, so it is assumed any increase in cost will translate into increased premium rates. Plan participants pay 21% of the costs and the state pays 79%. The estimated fiscal impact of the bill for state agencies, by fund source, is $98,750 ($51,226 General; $24,163 Cash; $14,301 Federal; $9,060 Revolving) in FY18 and $19,750 ($10,245 General; $4,833 Cash; $2,860 Federal; $1,812 Revolving) in FY19 and thereafter.

University of Nebraska Employee Health Benefit Plan: The University of Nebraska indicates the bill will also require software/hardware development by the University prescription drug provider. The plan provider estimates an increased cost for the insurance plan of $10,000 to $50,000 of general funds per year. This fiscal note assumes $20,000 of general fund expense in FY18 and $10,000 in FY19 and thereafter.

Other Political Subdivisions: It is assumed the bill will also increase the cost of health insurance plans provided for employees of political subdivisions.

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 474	AM:	AGENCY/POLT. SUB: Dept. of Insurance
REVIEWED BY: Gary Bush	DATE: 2/8/17	PHONE: (402) 471-4161
COMMENTS: Concur.		

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 474	AM:	AGENCY/POLT. SUB: Dept of Administrative Services
REVIEWED BY: Gary Bush	DATE: 1/31/17	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimated cost provided by the University. The estimate appears to be reasonable.		

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 474	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Gary Bush	DATE: 1/31/17	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimated cost provided by the University.		

Please complete ALL (5) blanks in the first three lines. **2017**

LB(1) 474 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Nebraska Department of Insurance

Prepared by: (3) Robert M. Bell **Date Prepared:** (4) 2/07/2017 **Phone:** (5) (402) 471-4650

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No fiscal impact on the Nebraska Department of Insurance.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 17-18	18-19	2017-18 EXPENDITURES	2018-19 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

Please complete ALL (5) blanks in the first three lines. **2017**

LB(1) 474 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) University of Nebraska

Prepared by: (3) Michael Justus **Date Prepared: (4)** January 26, 2017 **Phone: (5)** 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	**REVENUE**	**EXPENDITURES**	**REVENUE**
GENERAL FUNDS	10,000		10,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	10,000		10,000	

Explanation of Estimate:

The bill, dealing with prescriptions, would require software/process development by our provider. The impact would be an increase in the administrative costs to the University of between $10,000 and $50,000 annually.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	**NUMBER OF POSITIONS 17-18**	**18-19**	**2017-18 EXPENDITURES**	**2018-19 EXPENDITURES**
Benefits....................................				
Operating....................................			10.000	10.000
Travel....................................				
Capital outlay....................................				
Aid....................................				
Capital improvements....................................				
TOTAL....................................			10.000	10.000

Please complete ALL (5) blanks in the first three lines. **2017**

LB(1) 474 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Dept. of Administrative Services (DAS) – State Personnel - Benefits

Prepared by: (3) Josh Stafursky Date Prepared: (4) 1/24/2017 Phone: (5) 402-471-4165

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	**REVENUE**	**EXPENDITURES**	**REVENUE**
GENERAL FUNDS				
CASH FUNDS	125,000	125,000	25,000	25,000
FEDERAL FUNDS				
REVOLVING FUNDS				
TOTAL FUNDS	125,000	125,000	25,000	25,000

Explanation of Estimate:

LB474 requires any individual or group sickness and accident insurance policy, etc. and any self-funded employee benefit plan to apply a prorated daily cost-sharing rate to prescriptions dispensed by a network pharmacy for a partial supply if determined to be in the best interest of the patient and if the patient requests or agrees for the purpose of synchronizing the patient's medications. The bill allows a pharmacy to override any denial codes indicating that a prescription is being refilled too soon for purposes of medical synchronization.

The State of Nebraska Employee Health Insurance Plan ("Plan") utilizes a copay system when dispensing medications to its plan members. The monthly copay is not proportional to the price per pill, number of pills or duration of the prescription. For instance, a generic medication with an actual cost to the Plan of $350 might have a $5 copay to the employee. Another generic medication with an actual cost of $15 to the Plan would still require a $5 copay. The copay system requires participant cost-sharing but does not require participants to pay actual costs.

A Plan participant who requires a partial prescription due to loss of an existing prescription, theft, etc., is currently permitted to fill that partial prescription with the authorization of the prescriber, however the full copay is collected.

LB474 would require the State's third-party administrator ("TPA") to implement a prorated cost-sharing system for Plan members for prescription medications not provided under the current Plan. Such a cost-sharing plan is not available to the State at this time as part of its current contract with the TPA, and the TPA has indicated that such a system is not part of its current service offerings. In order to comply with LB474, the State would be required to amend its contract to provide additional funding for the TPA to create such a system and pay for the additional administrative costs.

It is difficult to estimate program design costs as well as future ongoing costs. The TPA has estimated the first year costs for a new system at approximately $100,000 plus $25,000 per year for program administration and would require an increase in Cash Fund appropriation for the DAS Employee Wellness & Benefits program.

The Plan is self-funded and self-sufficient, therefore all expenses of the Plan must be covered by the premium rates. Currently the State pays 79% of the premium rate and the employee pays 21%. An increase of expenditures of $125,000 in FY17-18 and $25,000 in FY18-19 would likely increase the premium rates that must be charged. Assuming 79% of the increased costs, $98,750 would be the State's FY17-18 share ($125,000 x 79% = $98,750) and $19,750 for FY18-19 ($25,000 x 79% = $19,750). The remainder of the increased costs would be paid by the employees.

The table below summarizes the impact by fund type of the estimated increase in Health Plan premium rates. The allocation by fund type is based on a four (4) year average (2013-2016) of benefit expenditures. The increased amounts may require additional appropriation for all state agencies, boards and commissions.

Fund Type	FY17-18 Benefit Expenditures	FY18-19 Benefit Expenditures
General	51,226	10,245
Cash	24,163	4,833
Federal	14,301	2,860
Revolving	9,060	1,812
Total	98,750	19,750

There also could be a cost to Plan members who would be required to pay "actual" medications costs as opposed to the typically smaller copay. The State and its TPA are unable to determine the number of prescriptions potentially affected by LB474.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 17-18	NUMBER OF POSITIONS 18-19	2017-18 EXPENDITURES	2018-19 EXPENDITURES
Benefits……………………………………				
Operating……………………………………			125,000	25,000
Travel……………………………………				
Capital outlay……………………………				
Aid……………………………………				
Capital improvements…………………				
TOTAL……………………………………			125,000	25,000