

Revised to correct timing of implementation of rate increase

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	\$2,585,597		\$2,510,597	
CASH FUNDS				
FEDERAL FUNDS	\$4,466,385		\$4,466,385	
OTHER FUNDS				
TOTAL FUNDS	\$7,051,982		\$6,976,982	

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

This bill establishes reimbursement for pharmacy dispensing fees for pharmacies participating in the medical assistance program. Beginning in FY25, the Department of Health and Human Services (DHHS) is to establish a fee-for-service pharmacy dispensing fee reimbursement of \$10.38 per prescription until a cost of dispensing survey is completed. The amendment, AM 1418 limits the provision of increased pharmacy dispensing fee reimbursement to independent pharmacies, defined as those with 6 or fewer pharmacy locations.

DHHS is to amend all Medicaid managed care organization (MCO) contracts to authorize establishment of a managed care pharmacy dispensing fee. The actual dispensing fee is to be determined by a survey administered by DHHS every two years. The estimated cost for the survey is \$75,000 every two years, and for purposes of this fiscal note, we assume the first survey to take place in FY25. Depending on the outcome of the survey, the cost in FY26 and future years may be different than the amount used in this fiscal note which is based on the \$10.38 reimbursement. The FY25 amount is used in FY26 for planning purposes.

Any dispensing fee cost information submitted to DHHS as a part of the cost of dispensing survey will remain confidential. The change in dispensing fee is to become effective following federal approval of the Medicaid state plan. No later than December 15, 2024, DHHS is to submit a report to the Clerk of the Legislature providing recommendations for adjusting pharmacy dispensing fees between completion of surveys to ensure fair and adequate reimbursement for pharmacies.

For the purposes of estimating the fiscal impact of the legislation, DHHS assumed the fee-for-service will increase from the current rate of \$10.02 to \$10.38, which is currently utilized in Iowa, and such an increase would begin July 1, 2025. The annual cost for claims that currently utilize a fee-for-service structure under the bill as amended is \$190.

The MCO dispensing fees are negotiated between the MCO and the individual pharmacy or chain, which is allowable per MCO contracts. MCOs currently pay professional dispensing fees in accordance with the type of pharmacy; MCOs pay different fees for independent, chain, specialty, and long-term care pharmacies. LB204 has the contingency of successfully executing a contractual agreement with the MCOs. DHHS indicates 1,538,305 total dispensing fees were claimed by independent pharmacies in FY23. The agency indicates that independent pharmacies received an average dispensing fee rate of \$5.8445 in FY23. The estimated cost to increase MCO dispensing fees from the current fee to \$10.38 for independent pharmacies only is estimated to be \$6,976,982. This increase will be passed along to the state in the form of capitation payments.

The total cost of both the MCO increase (\$6,976,982) and the fee-for-service (\$190) is \$6,977,172. Federal funds are available to offset part of the costs – DHHS assumes 80% of the Medicaid population are regular which receive a 58.6% federal contribution and 20% of the population are Medicaid Expansion which receive 90% federal medical assistance percentage (FMAP). The blended FMAP used for this estimate is 64.02% federal funds, \$4,466,786, and 35.98% general funds, \$2,510,386.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB: 204	AM: 1418	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services		
REVIEWED BY:	Ann Linneman	DATE:	2-20-2024	PHONE: (402) 471-4180
COMMENTS: Concur with the Nebraska Department of Health & Human Services' assessment of 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 2-20-2024

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	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$75,000		\$2,510,597	
CASH FUNDS				
FEDERAL FUNDS			\$4,466,385	
OTHER FUNDS				
TOTAL FUNDS	\$75,000		\$6,976,982	

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

Explanation of Estimate:

LB 204/AM1418 provides for reimbursement for pharmacy dispensing fees for independent pharmacies under the Medical Assistance Program by setting a standard rate for fee-for-service (FFS) and Managed Care Organizations (MCOs). It also requires the completion of a cost of dispensing survey every two years, which will be administered by the Department of Health and Human Services (DHHS). Cost surveys are time intensive and may require a contractor to evaluate the survey findings, write the report, and determine cost based dispensing fee. The estimated cost for the use of a contractor to perform the survey is \$75,000 per survey (every two years). LB204/AM1418 does not define when the first annual cost survey needs to occur; this fiscal note assumes the survey will take place in SFY 2025.

The current dispensing fee for Iowa is \$10.38, which is the dispensing fee assumed in this fiscal note. The estimated increase in fees for FFS is \$190. The date to implement the \$10.38 dispensing fee is July 1, 2025.

The MCO dispensing fees are negotiated between the MCO and the individual pharmacy or chain, which is allowable per MCO contracts. MCOs currently pay professional dispensing fees in accordance with the type of pharmacy; MCOs pay different fees for independent, chain, specialty, and long-term care pharmacies. LB204/AM1418 applies only to independent pharmacies and has the contingency of successfully executing a contractual agreement with the MCOs. The estimated cost to increase all MCO dispensing fees for independent pharmacies from the current fee to \$10.38 is \$6,976,982. This increase will be passed along to the state in the form of capitation payments.

Total number of dispensing fees paid to independent pharmacies in SFY23	Total Dollar amount of dispensing fees paid to independent pharmacies in SFY23 @ \$5.8445	Projected total dollar amount of dispensing fees paid to independent pharmacies @ \$10.38	Projected fiscal impact to increase dispensing fees per LB204 AM 1418
1,538,305	\$8,990,624	\$15,967,606	\$6,976,982

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2024-2025 EXPENDITURES	2025-2026 EXPENDITURES
	24-25	25-26		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				

Aid.....
Capital Improvements.....
TOTAL.....

	<u>\$75,000</u>	<u>\$6,976,982</u>
	<u>\$75,000</u>	<u>\$6,976,982</u>