

PREPARED BY: Nikki Swope
DATE PREPARED: May 08, 2025
PHONE: 402-471-0042

LB 198

Revision: 02

As amended by AM1201 and AM1229

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

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

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 198 relates to the Pharmacy Benefit Manager Licensure and Regulation Act (Act). The bill would require a pharmacy benefit manager to allow a pharmacy appeal process if the maximum allowable cost list pricing is below the pharmacy's acquisition cost and prohibits the pharmacy benefit manager from requiring accreditation or using spread pricing. LB 198 further requires the pharmacy benefit manager to reimburse all pharmacies at the same level as any pharmacy benefit manager affiliated or owned pharmacy.

AM 1201 and AM 1229 provides language to clarify definitions. Additionally, the amendments specify requirements for Pharmacy Benefit Managers, specialty pharmacies, and health benefit plans. The amendment prohibits spread pricing in contracts between pharmacy benefit managers and health benefit plan that are issued after January 1, 2026.

As amended, there is no fiscal impact for the Department of Health and Human Services due to the changes in the pricing and reimbursement requirements.

The State of Nebraska may be required to renegotiate the contract to meet the requirements of the Act which may result in increased costs. Any such increased costs would be covered by increased premiums. LB 198, as amended, is anticipated to have a fiscal impact to the Department of Administrative Services; however, these costs are indeterminable until the contract is renegotiated. The State's health plans utilize trust funds thus no additional appropriation would be required.

The University Systems current pharmacy benefit manager does not utilize spread pricing or a pharmacy benefit manager affiliate. No fiscal impact.

The Department of Insurance (DOI) activities would be expanded by the bill. LB 198 mandates the Department promulgate rules and draft the new regulations as prescribed by the bill. The Department anticipates a slight increase in new complaints requiring investigation due to the expansion of activities covered by the Act. These would be one-time costs and could be absorbed within the Department's resources. No fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 198	AM: 1229	AGENCY/POLT. SUB: Department of Insurance
REVIEWED BY: Ryan Walton	DATE: 5/5/2025	PHONE: (402) 471-4174
COMMENTS: The Department of Insurance's assessment of fiscal impact from LB 198, as amended by AM 1229, appears reasonable.		

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

Prepared by: ⁽³⁾ Jordan Blades

Date Prepared: ⁽⁴⁾ 1/22/24

Phone: ⁽⁵⁾ 402-471-4638

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB 198 amends the Pharmacy Benefit Manager (PBM) Licensure and Regulation Act (the Act) to expand the scope of activities regulated by the Department of Insurance regarding specialty pharmacies, clinician-administered drugs, consumer choice, and spread pricing. The Department presumes these changes apply to all pharmacy benefit managers licensed by the Department to the extent not preempted by Federal law.

The Department of Insurance (DOI) anticipates a slight increase in new complaints requiring investigation due to the expansion of activities covered by the Act. These costs will be absorbed within the Department’s current resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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2025

LB ⁽¹⁾0198 Change provisions of the Pharmacy Benefit Manager Licensure and AM1201 A Regulation Act

FISCAL NOTE

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

Prepared by:⁽³⁾ Anne Barnes

Date Prepared:⁽⁴⁾ 05/07/2025

Phone:⁽⁵⁾ (402) 472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025 - 26		FY 2026 - 27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Explanation of Estimate:

No Fiscal Impact.

Amendment 1201 incorporates some of the provisions that were proposed in LB 533. The University previously responded that LB 533 would not have a fiscal impact.

Amendment 1201 does have additional requirements for health benefit plans, health carriers, pharmacy benefit managers, mail order operations, and retail pharmacies. The bill and amendments may require changes to business practices managed by our prescription drug benefit manager, but we anticipate these changes can be made with little or no fiscal impact to the University of Nebraska. The University's existing contract with our pharmacy benefit manager is valid through 2028. Future costs could impacted by the additional requirements, but that is unknown at this time.

Amendment 1229 would not have a fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025 - 26	2026 - 27
	25 - 26	26 - 27	EXPENDITURES	EXPENDITURES
	<u>0</u>	<u>0</u>		
	<u>0</u>	<u>0</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

LB⁽¹⁾ 198 AM 1201 AM 1229

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Administrative Services (DAS) – Employee Wellness & Benefits

Prepared by: ⁽³⁾ Jennifer Norris

Date Prepared: ⁽⁴⁾ 05/6/2025

Phone: ⁽⁵⁾ 402-471-4443

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
REVOLVING FUNDS				
TOTAL FUNDS	See Below		See Below	

Explanation of Estimate:
LB 198 with AM 1201 & AM 1229 proposes changes to the Pharmacy Benefit Manager Licensure and Regulation Act to require a pharmacy benefit manager to allow a pharmacy appeal process if the maximum allowable cost listing price is below the pharmacy’s acquisition cost and prohibits the pharmacy benefit manager from requiring accreditation or using spread pricing. LB 198 with AM 1201 and AM 1229 further requires the pharmacy benefit manager to reimburse all pharmacies at the same level as any pharmacy benefit manager affiliated or owned pharmacy.

Because the State contracts for pharmaceutical services for the State of Nebraska’s health plans, the additional provisions of LB 198 with AM 1201 and AM 1229 would require renegotiating the contract to meet the requirements of the Act. It is foreseeable a renegotiated contract will have increased costs to satisfy the new requirements.

These changes could raise the costs of State of Nebraska health plans as aggregating discounts would no longer be an option, and all medications would have to be drug by drug discounts at the National Drug Code (NDC) level (over 200K NDC codes). It’s expected that compliance with the new regulations will result in additional costs to the State’s pharmacy benefit manager programs.

The State of Nebraska medical plans are self-insured. Any increase in costs would need to be covered by an increase in premiums. The State of Nebraska pays 79% of the premiums for State of Nebraska teammates and the teammate pays 21%. The changes proposed in LB 198 with AM 1201 and AM 1229 would impact the State’s and the employees’ premium costs.

The table below summarizes the estimated impact by fund type of any premium increases. The allocation by fund type is based on an average for Health Insurance expenditures over a five-year period (2020-2024).

Fund Type	% of Expenditures
General Fund	52%
Cash Fund	24%
Federal Fund	19%
Revolving Fund	5%
Total	100%

The State’s health plans utilize trust funds; thus, no additional appropriation would be required.

LB 198 with AM1201 and AM 1229 would have a fiscal impact to DAS, but the exact fiscal impact is indeterminable at this time.

<u>BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE</u>				
<u>Personal Services:</u>				
<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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 5-7-25		Phone: (5) 471-6719
	FY 2025-2026		FY 2026-2027	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$0	\$0	\$0	\$0

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

Explanation of Estimate:

There is no fiscal impact to the Department of Health and Human Services.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2025-2026	2026-2027
	26-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$0	\$0