

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	\$543,186	\$500,000	\$544,438	\$500,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$543,186	\$500,000	\$544,438	\$500,000

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

LB 77 adopts the Ensuring Transparency in Prior Authorizations Act. The Act would create new requirements for insurers and utilization review entities regarding prior authorization.

LB 77 would require the Department of Insurance to enforce these requirements and to create two uniform prior authorization requests; one for prescription drugs, devices and durable medical equipment and for the second; for all other procedures. The bill further requires that the Department publicize prior authorization data reported to the Department by health carriers.

The Department anticipates an increase in complaints related to prior authorization requests resulting from the bill. The Department anticipates a need for a 0.5 FTE market conduct examiner to handle these complaints, help develop and maintain the required forms, and to publish the annual report. The cost of the 0.5 FTE with salary, benefits and operating is \$43,186 in FY 2025-26 and \$44,438 in FY 2026-27.

Additionally, Section 12 of LB 77 gives the Department the authority to audit a utilization review entity's automated utilization management system along with the authority to contract with a third-party to perform these audits. These audits performed pursuant to LB 77 would take place within the context of a market conduct examination and may take place at any time as deemed by the Department. Under the Insurers Examination Act, the cost for the examination shall be reimbursed by the company being examined.

The Department does not have the necessary expertise to audit AI models and would need to contract with an experienced third-party auditor. Due to the complexity of the models being reviewed, the costs for these contracts are anticipated to be higher than other types of contracts and are estimated to be \$500,000 annually. The actual cost may differ from the estimated amount; however, the amount would be reimbursed by the insurer undergoing the examination.

It is possible that the insurance carriers could pass along the cost of compliance associated with LB77 in future administrative rate agreements but the current rate agreements would have no fiscal impact on the Department of Administrative Services nor the University Systems self-funded employee insurance rates.

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

LB: 77	AM:	AGENCY/POLT. SUB: Department of Insurance	
REVIEWED BY: Ryan Walton		DATE: 1/28/2025	PHONE: (402) 471-4174
COMMENTS: The Department of Insurance's assessment of fiscal impact from LB 77, appears reasonable.			

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

LB: 77	AM:	AGENCY/POLT. SUB: University of Nebraska System	
REVIEWED BY: Ryan Walton		DATE: 1/17/2025	PHONE: (402) 471-4174
COMMENTS: The University of Nebraska Systems' assessment of no fiscal impact to the agency from LB 77, appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 77	AM:	AGENCY/POLT. SUB: Department of Administrative Services (DAS)
REVIEWED BY: Ryan Walton	DATE: 1/21/2025	PHONE: (402) 471-4174
COMMENTS: The DAS's assessment of no fiscal impact to the agency from LB 77, appears reasonable.		

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

2025

LB⁽¹⁾ 77

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⁾ 01/13/2025 Phone: ⁽⁵⁾ 402-471-4443

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 77 adopts the Ensuring Transparency in Prior Authorization Act wherein requirements would be implemented regarding utilization review entities on how and when changes are made to prior authorization requirements and restrictions to include posting on its website, giving advanced notice to providers and enrollees and to ensure that adverse determinations and appeals are reviewed by a physician as detailed in the bill. LB 77 would also require all health care providers to use an approved uniform prior authorization request form as approved by the Department of Insurance.

Administrative updates would be made by the insurance carrier upon the effective date of the law.

LB 77 has no fiscal impact to the Department of Administrative Services.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<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.....			_____	_____

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

2025

LB⁽¹⁾ 77

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jordan Blades Date Prepared: ⁽⁴⁾ 1/15/24 Phone: ⁽⁵⁾ 402-471-4638

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	<u>\$543,186</u>	<u>\$500,000</u>	<u>\$544,438</u>	<u>\$500,000</u>
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$543,186</u>	<u>\$500,000</u>	<u>\$544,438</u>	<u>\$500,000</u>

Explanation of Estimate:

LB 77 would create several new requirements for insurers and utilization review entities regarding prior authorization. Under LB 77 The Department of Insurance would be responsible for enforcing these requirements. Additionally, LB 77 would require the department to create two uniform prior authorization request forms, one for prescription drugs, devices, and durable medical equipment, and one for all other procedures, and publicize prior authorization data reported to the department by health carriers. The Department anticipates an increase in complaints related to prior authorization requests resulting from LB 77. The Department anticipates a need for a 0.5 FTE market conduct examiner to handle these complaints, help develop and maintain the required forms and publish the annual report.

Additionally, Section 12 of LB 77 gives the department the authority to audit a utilization review entity's automated utilization management system along with the authority to contract with a third party to perform these audits. These audits may be performed at any time, any audit performed pursuant to LB77 would take place within the context of a market conduct examination. Under the Insurers Examination Act, the cost for the examination shall be reimbursed by the company being examined. The Department does not have the expertise necessary to audit these AI models and would need to contract with a third party auditor with the necessary expertise. Due to the complexity of the models being reviewed the cost for these contracts would be very expensive. The Department has estimated the cost of maintaining these contracts to be \$500,000 annually. This is a rough estimate, the actual cost of the contract may be higher or lower than estimated. In any case, the amount would be reimbursed by the insurer being examined.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Market Conduct Examiner II	0.5	0.5	24,935	25,683
Benefits.....			16,211	16,697
Operating.....			2,040	2058
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			43,186	44,438

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

Prepared by:⁽³⁾Anne Barnes

Date Prepared:⁽⁴⁾01/16/2025

Phone:⁽⁵⁾(402) 559-6300

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025 - 26		FY 2026 - 27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	0.00	0.00	0.00	0.00
CASH FUNDS	0.00	0.00	0.00	0.00
FEDERAL FUNDS	0.00	0.00	0.00	0.00
OTHER FUNDS	0.00	0.00	0.00	0.00
TOTAL FUNDS	0.00	0.00	0.00	0.00

Explanation of Estimate:

No Fiscal Impact.

The requirements of Legislative Bill 77 would be the responsibility of the third-party insurance carriers of the University of Nebraska employee health insurance program. It is possible that the third-party insurance carriers could pass along the cost of compliance associated with Legislative Bill 77 in future administrative rate agreements, but the current administrative rate agreements are valid through the applicable fiscal years.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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