

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	364,962	364,962	127,589	127,589
TOTAL FUNDS	364,962	364,962	127,589	127,589

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

LB 862 is the Prescription Drug Cost Transparency Act.

Section 3 provides definitions for the Act.

Section 4 specifies that the Act applies to the manufacturer of a prescription drug that is purchased or the price of which is reimbursed by any of the following:

- State purchaser in Nebraska
- Health maintenance organization producer as defined in section 44-32,106
- Health insurer authorized to transact sickness and accident insurance business specified in section 44-201 holding a valid certificate of authority from the Department of Insurance
- Fraternal benefit society authorized to transact business specified in sections 44-1072 to 44-10,109
- Pharmacy benefit manager

LB 862 requires drug manufacturers to provide notice and certain information disclosures regarding the cost and pricing of prescription drugs.

The Department of Administrative Services is required, under section 5, to maintain and provide drug manufacturers a list of entities that register to receive notice of price increases meeting the criteria of LB 862. DAS estimates the need for 1.0 FTE to develop the necessary reports, assist in developing and promulgating rules and regulations, work with drug manufacturers to ensure documents are provided in the proper format, ensure reports are available on the website in a searchable format and update reports upon the quarterly submission from the drug manufacturers on an ongoing basis. In addition, DAS has identified one-time costs to develop the system. There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 862	AM:	AGENCY/POLT. SUB: Department of Health and Human Services (DHHS)
REVIEWED BY: Elton Larson	DATE: 1/29/2018	PHONE: (402) 471-4173
COMMENTS: DHHS estimate of no fiscal impact to the department appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 862	AM:	AGENCY/POLT. SUB: Department of Administrative Services (DAS)
REVIEWED BY: Elton Larson	DATE: 1/24/18	PHONE: (402) 471-4173
COMMENTS: DAS estimate of fiscal impact to the agency appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 862	AM:	AGENCY/POLT. SUB: Secretary of State
REVIEWED BY: Elton Larson	DATE: 1/24/18	PHONE: (402) 471-4173
COMMENTS: No fiscal impact to the Secretary of State.		

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) Mike Michalski

Date Prepared: 1-8-18

Phone: (5) 471-5046

	<u>FY 2018-2019</u>		<u>FY 2019-2020</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				
		\$0		\$0

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

Explanation of Estimate:

No fiscal impact to the Department of Health and Human Services.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2018-2019	2019-2020
		18-19	19-20	EXPENDITURES	EXPENDITURES
Benefits.....					
Operating.....					
Travel.....					
Capital Outlay.....					
Aid.....					
Capital Improvements.....					
TOTAL.....				\$0	\$0

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

2018

LB⁽¹⁾ 862

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services – Materiel Division and State Personnel – Employee Wellness & Benefits

Prepared by: ⁽³⁾ Doug Wilken Date Prepared: ⁽⁴⁾ 1-11-2018 Phone: ⁽⁵⁾ 402-471-4114

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2018-19		FY 2019-20	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	<u>364,962</u>	<u>364,962</u>	<u>127,589</u>	<u>127,589</u>
TOTAL FUNDS	<u><u>364,962</u></u>	<u><u>364,962</u></u>	<u><u>127,589</u></u>	<u><u>127,589</u></u>

Explanation of Estimate:

LB 862 requires drug manufacturers to provide notice and disclose information relating to the cost and pricing of prescription drugs. The Department of Administrative Services (DAS) is required, under the bill, to maintain and provide drug manufacturers a list of entities that register to receive notice of price increases meeting the criteria in the bill, as well as create a registration process for entities to register in order to receive such notices. DAS is also required to develop two (2) reports to be completed by drug manufacturers to report drug costs and price increases and the cost and price of new drugs. The bill requires DAS to create and maintain a website to publish the reports, and to draft rules and regulations to implement the provisions of the bill. The notifications and report shall be required beginning January 1, 2019.

The Department of Health and Human Services estimated that there are between 1,247 and 1,500 pharmaceutical companies in the United States. An internet search found that there are 3,254 approved drugs, and 5,030 experimental drugs. Due to these volumes, DAS will need a minimum of one (1) additional full-time employee (FTE). This position has been identified as an Administrative Assistant I, who will work with the OCIO beginning in July 2018 to develop the system and website to ensure compliance with the requirements of the bill. This position will assist in developing the necessary reports, assist in developing and promulgating the rules and regulations, work with drug manufacturers to ensure documents are provided in the correct format, ensure reports are available on the website in a searchable format, and update reports upon the quarterly submission from the drug manufacturers on an ongoing basis. The development of the reports and promulgation of the rules and regulations will require the assistance of other DAS personnel, but the work of other DAS personnel can be performed and absorbed within the current operations.

The estimated cost for this FTE is \$68,915 in FY18-19 and \$68,756 in FY19-20. These costs include salary and benefits (health insurance is based on the State's current share of the highest cost family plan); ongoing annual operating costs (communications/data processing, printing/publication, rent/depreciation surcharge, and supplies. There would also be a one-time cost of \$2,500 in FY18-19 for set up costs and the purchase of new equipment.

There would need to be the development of a system for the publishing and maintenance of the reports. The exact costs of the development of such system is unknown, until further investigation into the options based on the requirements is completed and a decision made on the system to be used. The Office of the Chief Information Officer (OCIO) has provided the estimated costs below for developing the website and a solution to collect the registrations and house the reported information to be provided by the drug manufacturers:

One-Time Fees

- Initial analysis for system requirements = \$25,000.00
- Portal framework license fee to collect registrations = \$15,000.00
- Portal development fees to collect registrations from public = \$25,000.00
- Development of ECM Lifecycle to manage registrations from Public = \$20,000.00
- Workview Design = \$50,000.00
- Development of ECM Lifecycle to manage drug manufacturers' information = \$50,000.00
- 1 Workview license = \$ 2,125.00
- DAS Cost for initial analysis to set up system = \$50,000.00
- TOTAL FOR ONE-TIME FEES = \$237,125.00

Recurring Fees

- Portal framework maintenance fee = \$ 3,000.00
- ECM Unity Client license (1 FTE) = \$ 432.00
- 4 ECM Workview License annual maintenance = \$ 400.00
- Annual maintenance to ECM lifecycles = \$40,000.00
- Portal framework license fee to collect registrations = \$15,000.00
- TOTAL FOR ANNUAL RE-OCCURRING COSTS = \$58,832.00

Total estimated one-time costs could be \$237,215. Annual costs could be \$58,832. These estimates assume no charge will be made by the drug manufacturers to provide the requested data.

These additional costs would result in the need for additional revolving fund appropriation of \$364,962 in FY18-19 and \$127,588 in FY19-20. These increased would also require an increase in the DAS Materiel Purchasing Assessment. The FY18-19 Purchasing Assessment has already been published and could require other appropriation increases.

The table below summarizes the estimated impact by fund type of the increased statewide Materiel-Purchasing Assessment. The allocation by fund type is based on a four (4) year [2014-2017] average of operating expenses.

	FY2018-19	FY2019-20
	Expenditures	Expenditures
General Funds	90,746	31,724
Cash Funds	136,074	47,571
Federal Funds	78,812	27,552
Revolving Funds	59,330	20,742
Total Funds	364,962	127,589

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2018-19 EXPENDITURES	2019-20 EXPENDITURES
	18-19	19-20		
Administrative Assistant I	1	1	32,529	33,180
Benefits.....			29,907	31,598
Operating.....			3,979	3,979
Project Development Costs – One-time.....			237,215	0
Capital outlay.....			2,500	
Annual Project Costs.....			58,832	58,832
Capital improvements.....				
TOTAL.....			364,962	127,589

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2018

LB⁽¹⁾ 862

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Secretary of State's Office

Prepared by: ⁽³⁾ Joyce Woofter Date Prepared: ⁽⁴⁾ 1/10/2018 Phone: ⁽⁵⁾ 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____