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LB 830

Revision: 02

FISCAL NOTE

Revised based on amendments adopted through 4-9-08

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			1,254,303	
CASH FUNDS	682,637			
FEDERAL FUNDS	682,637		1,254,303	
OTHER FUNDS				
TOTAL FUNDS	1,365,273		2,508,605	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill establishes the Medicaid Prescription Drug Act. The department is required to establish and maintain a Preferred Drug List (PDL) no later than July 1, 2010. A committee is established to advise the Department of Health and Human Services on all matters relating to the PDL. The committee shall have between 15 and 20 members. Except for public members, all members shall be practicing health care professionals with experience serving Medicaid recipients. Committee members are authorized to receive actual necessary expenses. All therapeutic classes of prescription drugs are to be included on the PDL except for antidepressant, antipsychotic and anticonvulsant drugs. Criterion is established for determining how drugs are placed on the PDL. When a branded drug may be prescribed and paid for under the Medicaid Program is outlined. There is an appeal process. The PDL shall be available in electronic format to the public on the department's website. The bill also requires the state to enter into a multistate purchasing pool. The bill, as amended, transfers an additional $700,000 in FY 09 only to fund the first year start-up costs from the Health Care Cash Fund.

The Department of Health and Human Services contracted for a study of the Medicaid Pharmacy Program. Included in the scope of the study was a cost/benefit analysis of utilizing a Preferred Drug List (PDL) and establishing a purchasing pool. Mercer was the contractor for the study. In their report, Mercer identified potential savings for instituting a PDL with supplemental rebates and joining a multi-state purchasing pool. The costs savings to the Medicaid Program for the PDL range from $1.9 million to $3.9 million ($800,000 GF to $1.6 million GF) once fully implemented. Savings from joining one of the three existing multi-state purchasing pools range from $6.7 million to $9 million ($2.7 million GF to $3.6 million GF) once fully implemented. As there may be overlapping savings between the PDL and the purchasing pool, the savings cannot be added together. The Mercer study included all drugs. LB 830 excludes certain classes for drugs that account for approximately 36% of branded drug purchases in the Medicaid Program. Once implemented there would be a lag of six months before savings are realized and rebates are received. The report states that PDL implementation may take between 12 and 18 months.

In FY 09, the department would need a pharmacist, a project manager and operating funds for provider education, the pharmaceutical and therapeutics committee and contractual services. The cost is $1,365,273 ($682,637 CF and FF). In FY 10, it is assumed the multistate purchasing pool and the PDL would be implemented in the last six months of the fiscal year. Two additional pharmacists would be needed and contractual costs would increase reflecting the costs for membership in one of the multistate purchasing pools and system charges. The costs would be $2,508,605 ($1,254,303 GF and FF).

The Mercer study identified ongoing costs and savings once the multistate purchasing pool and PDL are implemented. Because of lag time in the billing, payments and rebate processing, this fiscal note assumes savings beginning in FY 11. The net savings to the State General Fund, adjusted to reflect the excluded classes of drugs, on an annual basis range from $1,168,385 to $2,195,034. The costs and savings depend on the multistate purchasing pool the state joins. The chart below shows the total costs and savings that are anticipated.

Total Funds			
	NMPI	TOP$	SSDC
Gross Savings on Non-Atyp Drug Expenditures	$5,763,000 - $5,927,000	$6,957,000 - $7,104,000	$6,725,000 - $7,126,000
Less Administrative Costs	$2,068,448 - $2,370,448	$2,094,448 - $2,422,448	$1,434,448 - $1,643,448
Total (GF and FF) Net Savings on Non-Atyp Drug Expenditu	$3,392,552 - $3,858,552	$4,534,552 - $5,009,552	$5,081,552 - $5,691,552
General Funds			
	NMPI	TOP$	SSDC
Gross Savings on Non-Atyp Drug Expenditures	$2,353,609 - $2,420,587	$2,841,239 - $2,901,274	$2,746,490 - $2,910,258
Less Administrative Costs	$1,034,224 - $1,185,224	$1,047,224 - $1,211,224	$717,224 - $821,724
Net (GF) Savings on Non-Atyp Drug Expenditures	$1,168,385 - $1,386,363	$1,630,015 - $1,854,050	$1,924,766 - $2,193,034