

PREPARED BY: Liz Hruska  
 DATE PREPARED: February 20, 2019  
 PHONE: 402-471-0053

**LB 554**

Revision: 00

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

This bill prevents a managed care organization contracted with the Medicaid Program from substituting a generic equivalent for an antidepressant, antipsychotic or anticonvulsant medication.

Generic drug fill rate for the three classes of drugs is 94.5%. A shift to 100% of name brand drugs would increase Medicaid costs significantly. The Department of Health and Human Services estimates full year costs to be \$196.6 million. Increased drug rebates would offset costs by \$45.2 million for a net impact of \$151.3 million. The General Fund cost would be \$68.5 million.

The introducer will present an amendment which will not prohibit generic drugs.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 554	AM:	AGENCY/POLT. SUB: Nebraska Department of Health and Human Services	
REVIEWED BY: Ann Linneman	DATE: 2-19-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the Nebraska Department of Health and 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) Mike Michalski

Date Prepared 2-7-19

Phone: (5) 471-6719

	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>	\$44,515,427		\$68,553,757	
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>	\$53,796,028		\$82,845,884	
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	\$98,311,455		\$151,399,641	

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

**Explanation of Estimate:**

LB 554 prevents Managed Care Organizations (MCOs) contracted with Medicaid and Long-Term Care (MLTC) from covering generic prescriptions for antidepressant, antipsychotic, or anticonvulsant drugs.

Currently, the generic drug fill rate (GFR) for these three drug classes is 94.5% (generic drugs). A shift from the current GFR of mostly generic drugs to 100% brand would result in significant upfront drug expenditures equating to a total fund increase of an estimated \$196,622,911 per year. It is assumed that the drug increases would begin January 1, 2020. It is not anticipated that MLTC would collect increased drug rebates (associated with the higher cost brand drugs) until 7 months after the change from generic to brand name drugs. MLTC would need to pay for the entire increase in price for the last 6 months of SFY 2020 while drug rebates will begin to offset a portion of the costs starting in July 2020. Rebates for an entire year are anticipated to be an additional \$45,223,270 above current generic rebate amounts. When factoring in the drug rebates, the total fund effect would be an annual net increase in expenditures of \$151,399,641 in SFY 2021. FMAP for the biennium is assumed to be 54.72%.

The Department of Health and Human Services (DHHS) will be required to complete a major rule and regulation change as a result of LB 554. DHHS will absorb the estimated costs listed below to complete this regulation change.

Title	Hours	Hourly Cost	Absorbed Cost
Director	4	72.115	\$ 288
Deputy Director	4	51.923	\$ 208
Administrator I	4	29.354	\$ 117
Program Specialist	8	21.466	\$ 172
Program Analyst	16	20.869	\$ 334
Attorney 3	30	32.213	\$ 966
<b>Total Costs</b>	<b>66</b>		<b>\$ 2,086</b>

**MAJOR OBJECTS OF EXPENDITURE**

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2019-2020 EXPENDITURES	2020-2021 EXPENDITURES
	19-20	20-21		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$98,311,455	\$151,399,641
Capital Improvements.....				
<b>TOTAL.....</b>			<b>\$98,311,455</b>	<b>\$151,399,641</b>