

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	370,962	370,962	132,519	132,519
TOTAL FUNDS	370,962	370,962	132,519	132,519

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

LB 567 is the Prescription Drug Cost Transparency Act.

Section 2 provides Legislative findings.

Section 3 provides definitions for the Act.

Section 5 requires a manufacturer of a prescription drug with a wholesale acquisition cost of more than forty dollars for a course of therapy to provide notice to persons identified in subsection (2) if the increase in the wholesale acquisition cost is more than sixteen percent (16%). The required notice shall be provided to (a) each state purchaser identified in section 4 of the Act and (b) any other entity identified in section 4 if the entity registers with the Department of Administrative Services (DAS) to receive such notifications.

Under section 6, DAS shall publish the information received in manufacturers' reports on the DAS website within sixty days after receipt from the manufacturer and shall update the information quarterly.

Section 9 requires DAS to promulgate rules and regulations necessary for implementation of the Act.

Section 10 requires notifications and reports pursuant to the Act to begin January 1, 2021, for any activity subject to the Act after such date.

DAS estimates the need for 1.0 FTE to administer the provisions of the Prescription Drug Cost Transparency Act. This FTE would work with the Office of the Chief Information Officer (OCIO) to develop the system and website to ensure compliance, assist in developing required reports, assist in the rule and regulation process, work with drug manufacturers to ensure correct documentation, and ensure reports are available on the website in a searchable format. This estimate appears to be reasonable.

In addition, DAS would need to develop a system for publishing and maintaining reports. At this time, the cost for this is unknown, but an estimate from the OCIO is included. In FY2019-20, the cost is estimated to be \$237,215. Ongoing costs beginning in FY2020-21 are estimated to be \$58,832. There is no basis to disagree with these estimates.

DAS notes that the costs associated with LB 567 would require an increase in the DAS Materiel Purchasing Assessment that is charged to state agencies.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 567	AM:	AGENCY/POLT. SUB: Department of Administrative Services (DAS)	
REVIEWED BY: Elton Larson	DATE: 2/4/2019	PHONE: (402) 471-4173	
COMMENTS: No basis to disagree with DAS estimate of fiscal impact to the agency.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 567 AM:	AGENCY/POLT. SUB: Department of Corrections (DCS)	
REVIEWED BY: Elton Larson	DATE: 2/4/2019	PHONE: (402) 471-4173
COMMENTS: No basis to disagree with DCS estimate of no fiscal impact to the agency.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 567 AM:	AGENCY/POLT. SUB: Department of Health and Human Services (DHHS)	
REVIEWED BY: Elton Larson	DATE: 2/11/2019	PHONE: (402) 471-4173
COMMENTS: No basis to disagree with DHHS estimate of no fiscal impact to the agency.		

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

2019

LB⁽¹⁾ 567

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) - Materiel – State Purchasing / Employee Wellness & Benefits

Prepared by: ⁽³⁾ Jennifer Norris Date Prepared: ⁽⁴⁾ 1/25/2019 Phone: ⁽⁵⁾ 402/471-4147

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	\$370,962	\$370,962	\$132,519	\$132,519
TOTAL FUNDS	\$370,962	\$370,962 ⁽¹⁾	\$132,519	\$132,519 ⁽¹⁾

(1) See revenue sources below.

Explanation of Estimate:

LB 567 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, 2021.

The Department of Health and Human Services estimated that there are between 1,247 and 1,500 pharmaceutical companies in the United States. According to DrugBank.ca – statistics for 2018, there are 3,732 approved drugs, and 5,766 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 Office of the Chief Information Officer (OCIO) beginning in July 2019 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 \$74,132 in FY19-20 and \$73,687 in FY20-21. These costs include salary and benefits (health insurance is based on the State’s share of the highest cost family plan); ongoing annual operating costs (OCIO expenses including computer leasing costs, printing/publication, rent/depreciation surcharge, and other supplies.) There would also be a one-time cost of \$1,500 in FY19-20 for set up costs.

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 a 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 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 (Electronic Content Management) 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	= <u>\$50,000.00</u>
TOTAL FOR ONE-TIME FEES	= \$237,125.00

Re-occurring 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	= <u>\$15,000.00</u>
• 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 \$370,089 in FY19-20 [Additional FTE costs \$74,132 + one-time costs \$237,125 + \$58,832 re-occurring costs = \$370,089] and \$132,519 in FY20-21 [Additional FTE costs \$73,687 + re-occurring costs \$58,832 = \$132,519]. The first year's re-occurring costs could be less.

These increased costs would also require an increase in the DAS Materiel Purchasing Assessment. The FY19-21 biennial Purchasing Assessment has already been published and could require additional appropriation increases.

The table below summarizes the estimated impact by fund type of the increased statewide Purchasing Assessment. The allocation by fund type is based on a four (4) year [2015-2018] average of operating expenses.

	FY2019-20	FY2020-21
	Expenditures	Expenditures
General Funds	\$95,840	\$34,317
Cash Funds	\$138,985	\$49,767
Federal Funds	\$75,682	\$27,100
Revolving Funds	\$59,582	\$21,335
Total Funds	\$370,089	\$132,519

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Administrative Assistant I	1	1	\$34,811	\$35,507
Benefits.....			\$31,487	\$33,316
Operating.....			\$7,834	\$4,864
Operating – Project Development One-time Costs.....			\$237,125	\$0
Capital outlay.....				
Operating - Annual Re-occurring Project Costs.....			\$58,832	\$58,832
Capital improvements.....				
TOTAL.....			\$370,089	\$132,519

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2019

LB⁽¹⁾ 567

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Correctional Services

Prepared by: ⁽³⁾ Sara Sump Date Prepared: ⁽⁴⁾ 1/25/19 Phone: ⁽⁵⁾ 402.479.5702

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

No fiscal impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2019-20	2020-21
	19-20	20-21	EXPENDITURES	EXPENDITURES
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) Mike Michalski

Date Prepared 1-24-19

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>
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:

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

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.....				
Capital Improvements.....				
TOTAL.....				