

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2025-26</b>		<b>FY 2026-27</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 198 relates to the Pharmacy Benefit Manager Licensure and Regulation Act (Act). The bill would require a pharmacy benefit manager to allow a pharmacy appeal process if the maximum allowable cost list pricing is below the pharmacy’s acquisition cost and prohibits the pharmacy benefit manager from requiring accreditation or using spread pricing. LB 198 further requires the pharmacy benefit manager to reimburse all pharmacies at the same level as any pharmacy benefit manager affiliated or owned pharmacy.

The State of Nebraska may be required to renegotiate the contract to meet the requirements of the Act which is anticipated to have increased costs. Any such increased costs would be covered by increased premiums. LB 198 would have a fiscal impact to the Department of Administrative Services; however, these costs are indeterminable until the contract is renegotiated. The State’s health plans utilize trust funds thus no additional appropriation would be required.

The Department of Health and Human Services anticipates an increase of total annual pharmacy related expenses as a result of LB 198, which will eliminate incentives for pricing negotiations. Estimates from the Managed Care Organizations (MCOs) in Nebraska have estimated that the bill would increase expenses by \$5,250,000 for all three current MCOs in Nebraska. The blended rate would increase the federal funds (65%) by \$3,412,500 and increase general funds (35%) by \$1,837,500. The additional expenses would be passed along to the Medicaid program via higher capitation rates. However, these are estimates based on current contracts and new contracts would be required to be renegotiated to determine the actual fiscal impact.

Additionally, the Department of Health and Human Services cannot determine a fiscal impact on fee-for service (FFS) pharmacy expenses; however, the impact is anticipated to be lessor than that of the fiscal impact of the MCOs due to the lower volume of FFS usage.

The University Systems current pharmacy benefit manager does not utilize spread pricing or a pharmacy benefit manager affiliate. No fiscal impact.

The Department of Insurance activities would be expanded by the bill. LB 198 mandates the Department promulgate rules and draft the new regulations as prescribed by the bill. These would be one-time costs and could be absorbed within the Department’s resources.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 198	AM:	AGENCY/POLT. SUB: Department of Insurance	
REVIEWED BY: Ryan Walton	DATE: 1/23/2025	PHONE: (402) 471-4174	
COMMENTS: The Department of Insurance’s assessment of fiscal impact from LB 198, appears reasonable.			

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

LB: 198                    AM:                    AGENCY/POLT. SUB: Department of Health and Human Services (DHHS)

REVIEWED BY: Ryan Walton                    DATE: 2/27/2025                    PHONE: (402) 471-4174

COMMENTS: No basis to disagree with DHHS's assessment of fiscal impact from LB 198.

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

LB: 198                    AM:                    AGENCY/POLT. SUB: Department of Administrative Services (DAS)

REVIEWED BY: Ryan Walton                    DATE: 2/3/2025                    PHONE: (402) 471-4174

COMMENTS: DAS' assessment of indeterminate fiscal impact from LB 198, appears reasonable.

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

**2025**

**LB<sup>(1)</sup> 198**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Administrative Services (DAS) – Employee Wellness & Benefits

Prepared by: <sup>(3)</sup> Jennifer Norris Date Prepared: <sup>(4)</sup> 01/17/2025 Phone: <sup>(5)</sup> 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	<u>See Below</u>	<u>_____</u>	<u>See Below</u>	<u>_____</u>

**Explanation of Estimate:**

LB 198 proposes changes to the Pharmacy Benefit Manager Licensure and Regulation Act to require a pharmacy benefit manager to allow a pharmacy appeal process if the maximum allowable cost listing price is below the pharmacy’s acquisition cost and prohibits the pharmacy benefit manager from requiring accreditation or using spread pricing. LB 198 further requires the pharmacy benefit manager to reimburse all pharmacies at the same level as any pharmacy benefit manager affiliated or owned pharmacy.

Because the State contracts for pharmaceutical services for the State of Nebraska health plans, the additional provisions of LB 198 would require renegotiating the contract to meet the requirements of the Act. It is foreseeable a renegotiated contract will have increased costs to satisfy the new requirements.

The State of Nebraska medical plans are self-insured. Any increases in costs would need to be covered by an increase in premiums. The State of Nebraska pays 79% of the premiums for State of Nebraska teammates and the teammate pays 21%. The changes proposed in LB 198 would impact the State’s and the employee’s premium costs.

The table below summarizes the estimated impact by fund type of any premium increases. The allocation by fund type is based on an average for Health Insurance expenditures over a five-year period (2020-2024).

<b>Fund Type</b>	<b>% of Expenditures</b>
General Fund	52%
Cash Fund	24%
Federal Fund	19%
Revolving Fund	5%
<b>Total</b>	<b>100%</b>

The State’s health plans utilize trust funds; thus, no additional appropriation would be required.

LB 198 would have a fiscal impact to DAS, but the exact fiscal impact is indeterminable at this time.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

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

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

**2025**

**LB<sup>(1)</sup> 198**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Insurance

Prepared by: <sup>(3)</sup> Jordan Blades Date Prepared: <sup>(4)</sup> 1/22/24 Phone: <sup>(5)</sup> 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	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**Explanation of Estimate:**

LB 198 amends the Pharmacy Benefit Manager (PBM) Licensure and Regulation Act (the Act) to expand the scope of activities regulated by the Department of Insurance. The Act became effective January 1, 2023, and was amended in 2024 to add self-funded employee benefit plans. Absent a specific operative date, the changes from this bill will be effective three months after adjournment.

LB 198 mandates the Department promulgate rules and regulations to establish the scope of the duties of care, good faith, and fair dealing owed to covered persons, providers, and health plans. The legal division will be required to research and draft the new regulations. These costs are a one-time cost that will be absorbed within the Department's current resources.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26 EXPENDITURES</u>	<u>2026-27 EXPENDITURES</u>
	<u>25-26</u>	<u>26-27</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

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

Prepared by: (3) John Meals

Date Prepared 2-26-25

Phone: (5) 471-6719

	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>				
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	See Below	\$0	See Below	\$0

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

**Explanation of Estimate:**

LB198 requires pharmacy benefit managers (PBMs) to reimburse pharmacies above actual pharmacy acquisition cost under certain conditions. Federal law allows Medicaid plans and managed care organizations (MCOs) multiple options to utilize in determining reimbursement to pharmacies for medications or devices dispensed to Medicaid recipients. Reimbursement methodologies are designed to encourage pricing negotiations between pharmaceutical product wholesalers and pharmaceutical companies to pass those savings along to the purchasing pharmacy, and ensure Medicaid pays the lowest possible cost for dispensed medications.

Total annual pharmacy related expenses are expected to increase as a result of the requirements of this bill, which will eliminate incentives for pricing negotiations. Estimates from two of the three MCOs in Nebraska range from \$535,000 per year per MCO to \$3,000,000 per year per MCO. Assuming the midpoint for the third MCO, total annual expenses will increase by \$5,250,000. Using a blended federal match rate of 65%, annual federal funds would increase by \$3,412,500 and general funds would increase by \$1,837,500. These additional expenses will be passed along to the Medicaid program via higher capitation rates.

The fiscal impact of LB198 on fee-for-service (FFS) pharmacy expenses is also difficult to estimate; however, the fiscal impact on FFS expenses is anticipated to be much smaller than the impact to MCOs due to the volume of FFS usage compared to MCO usage.

**MAJOR OBJECTS OF EXPENDITURE**

<u>PERSONAL SERVICES:</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-2026</u>	<u>2026-2027</u>
	<u>POSITION TITLE</u>	<u>26-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
<b>TOTAL.....</b>				

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

2025

**LB <sup>(1)</sup> 0198 Change provisions of the Pharmacy Benefit Manager Licensure and Regulation Act**

**FISCAL NOTE**

State Agency OR Political Subdivision Name:<sup>(2)</sup> University of Nebraska System

Prepared by:<sup>(3)</sup> Anne Barnes Date Prepared:<sup>(4)</sup> 01/21/2025 Phone:<sup>(5)</sup> (402) 559-6300

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2025 - 26		FY 2026 - 27	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

**Explanation of Estimate:**

No Fiscal Impact.

The University of Nebraska's current pharmacy benefit manager does not utilize spread pricing and does not utilize a pharmacy benefit manager affiliate.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

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