

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	114,302	35,000	117,536	70,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	114,302	35,000	117,536	70,000

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

This bill establishes a remote dispensing pharmacy license.

The Department of Health and Human Services in their analysis looked at Iowa which has had this category of license since 2016. Iowa has 11 licenses in this category. The department also compared the demographics of Iowa and Nebraska. As Nebraska is more rural and the rural areas have more older individuals who are heavy users of prescription drugs, their analysis is that in the first year, FY 2019, there would be 50 licenses; in FY 2020 there would be 100 and in the years following it would increase to 200. The assessment of the number of licenses and the costs to implement the regulations and regulate the remote dispensing pharmacies are reasonable.

In the FY 2019, there is a sufficient cash balance to handle the shortfall between the costs and revenue. In FY 2020 and beyond, the statutory maximum fee of \$700 will need to be increased to cover the ongoing costs.

Technical Note: As mentioned in the fiscal note, the maximum fee will need to be increased to cover the ongoing costs of this bill.

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

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

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Date Prepared: 1-17-18

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	<u>FY 2018-2019</u>		<u>FY 2019-2020</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>				
<b>CASH FUNDS</b>	\$114,302	\$35,000	\$117,536	\$70,000
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	\$114,302	\$35,000	\$117,536	\$70,000

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

**Explanation of Estimate:**

LB 731 would establish the remote dispensing pharmacy license type. Remote dispensing pharmacies are a type of telepharmacy, and LB 731 would allow for remote dispensing pharmacies to be located no further than 10 driving miles from the nearest pharmacy. Telepharmacy services would be provided by licensed pharmacist via a real-time audiovisual communication system.

The Department estimates at least 200 remote pharmacy licenses would eventually be issued with only some of those licenses issued within the period of interest for this fiscal note. The first license issuances are assumed beginning in calendar year 2019 to allow for time to enact major changes to rules and regulations, including 175 Chapter 8 and 172 Chapter 128. Based on the provisions of the Health Care Facility Licensure Act and estimated costs, the Department estimates it would require charging the statutory maximum fee of \$700.

Iowa adopted provisions for remote pharmacies in 2016 and as of the writing of this fiscal note has 11 active licensees, according to the Iowa Board of Pharmacy.

Remote dispensing pharmacies can be operated with lower overhead than traditional pharmacies, which may increase the commercial favorability of locating sites in exurban and rural Nebraska. Overall, Nebraska has less than half the population density of Iowa (24.52 people per square mile vs. 55.51). In the largely rural 3<sup>rd</sup> Congressional District, the population density falls to approximately 9 people per square mile, vs. 1,256 in the 2<sup>nd</sup> Congressional District, which includes much of the Omaha metropolitan area. The population of the 3<sup>rd</sup> Congressional District is older than that in other parts of the state, with more than 18% of its residents over the age of 65 (approximately 12% in CD2). This population is the largest consumer of prescription drugs.

Nationally, more than a quarter of pharmacists are 55 or older, according to Census Bureau data.

The Department estimates the demographic characteristics and population distribution of Nebraska may result in higher demand for this license type than neighboring Iowa. This fiscal note assumes 50 licenses to be issued in FY19, 100 issued or renewed in FY20, and 200 in years thereafter. The licenses would be subject to annual renewal. The Department's existing cash resources are sufficient to allow for the \$44,302 deficit in estimated revenue relative to estimated expenses in FY19.

Each pharmacy requires separate license and inspection. It is estimated that the Department will require 0.5 FTE Health Licensing Specialist and 0.5 FTE Pharmacy Inspector (PharmD credential required). The Pharmacy Inspector will require use of a state vehicle for unannounced onsite visits for inspections across the state. This fiscal note estimates an average of 1000 miles of travel per month using a 2016 model year intermediate sedan (see Dept. of Administrative Services projected rates document for details).

\$259.00 Monthly Lease

\$0.28 \* 1000 Mileage Expense  
 \$539.00 monthly vehicle expense

\$6,468.00 annual state vehicle expense, prorated to \$3,234.00 in FY19.

This fiscal note assumes an July 1, 2018 implementation date. All expenses would be reflected in Program 262 Public Health Administration.

**MAJOR OBJECTS OF EXPENDITURE**

PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2018-2019	2019-2020
	18-19	19-20	EXPENDITURES	EXPENDITURES
Health Licensing Specialist	0.5	0.5	\$16,496	\$16,496
Pharmacy Inspector	0.5	0.5	\$45,919	\$45,919
Benefits.....			\$21,346	\$21,346
Operating.....			\$27,306	\$27,306
Travel.....			\$3,234	\$6,468
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
<b>TOTAL.....</b>			<b>\$114,302</b>	<b>\$117,536</b>