

PREPARED BY: Liz Hruska
 DATE PREPARED: January 23, 2018
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LB 731

Revision: 01

Revised based on new information

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		3,500		8,400
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		3,500		8,400

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

This bill authorizes remote dispensing pharmacies.

Remote dispensing pharmacies need a certain level of prescriptions to be profitable. Because of the sparseness of many areas of the state without a pharmacy, only a few are anticipated to be started in the next two years. The likely locations are those where a pharmacy closed or in towns with a nursing facility. Based on this information, it is anticipated that there would be approximately five remote dispensing pharmacies in FY 2019 and seven more in FY 2020. At these levels, the agency can handle the additional workload within existing resources. Revenue would increase by \$3,500 in FY 2019 and by \$8,400 in FY 2020.

If 25 or more remote pharmacies open, there would be the need for an additional pharmacy inspector and additional cash fund authority.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 731	AM:	AGENCY/POLT. SUB: Dept. of Health and Human Services
REVIEWED BY: Elton Larson	DATE: 1/22/18	PHONE: (402) 471-4173
COMMENTS: Department estimate of fiscal impact appears reasonable.		

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: 1-17-18

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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>
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

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 3rd Congressional District, the population density falls to approximately 9 people per square mile, vs. 1,256 in the 2nd Congressional District, which includes much of the Omaha metropolitan area. The population of the 3rd 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.....				
TOTAL.....			\$114,302	\$117,536