

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$75,000		\$11,111,964	
CASH FUNDS				
FEDERAL FUNDS			\$20,528,026	
OTHER FUNDS				
TOTAL FUNDS	\$75,000		\$31,639,990	

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

This bill establishes reimbursement for pharmacy dispensing fees for pharmacies participating in the medical assistance program. Beginning in FY25, the Department of Health and Human Services (DHHS) is to establish a fee-for-service pharmacy dispensing fee reimbursement of \$10.38 per prescription until a cost of dispensing survey is completed. DHHS is to amend all Medicaid managed care organization (MCO) contracts to authorize establishment of a managed care pharmacy dispensing fee. The actual dispensing fee is to be determined by a survey administered by DHHS every two years. The estimated cost for the survey is \$75,000 every two years starting in FY24.

Any dispensing fee cost information submitted to DHHS as a part of the cost of dispensing survey will remain confidential. The change in dispensing fee is to become effective following federal approval of the Medicaid state plan. No later than December 15, 2024, DHHS is to submit a report to the Clerk of the Legislature providing recommendations for adjusting pharmacy dispensing fees between completion of surveys to ensure fair and adequate reimbursement for pharmacies.

For the purposes of estimating the fiscal impact of the legislation, DHHS assumed the fee-for-service will increase from the current rate of \$10.02 to \$10.38, which is currently utilized in Iowa, and such an increase would begin July 1, 2024. The annual cost for claims that currently utilize a fee-for-service structure (1,436 claims paid with a dispensing fee x the increase of \$0.36) is \$517.

In FY22, the Medicaid Managed Care Organizations (MCOs) paid a total of \$13,983,440 in dispensing fees for 4,395,271 claims making the average dispensing fee-for-service MCOs paid pharmacies was \$3.18 per claim. Assuming the same number of claims in F25, the total dispensing fees using the new rate of \$10.38 would be \$45,622,913 which is a \$31,639,473 increase over the amount paid in FY22, \$13,983,440. The increase of \$31,639,473 would materialize in increased capitation payments to the MCO.

The total cost of both the MCO increase and the fee-for-service is \$31,639,990. Federal funds are available to offset part of the costs – DHHS assumes 80% of the Medicaid population are regular which receive a 58.6% federal contribution and 20% of the population are Medicaid Expansion which receive 90% federal medical assistance percentage (FMAP). The blended FMAP for the whole population is 64.88% federal funds, \$20,528,026, and 35.12% general funds, \$11,111,964.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	204	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services	
REVIEWED BY:	Ann Linneman	DATE:	2-24-2023	PHONE: (402) 471-4180
COMMENTS: The Nebraska Department of Health and Human Services' analysis and estimate of fiscal impact to the department 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) John Meals

Date Prepared 2-24-2023

Phone: (5) 471-6719

	<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$75,000		\$11,111,964	
CASH FUNDS				
FEDERAL FUNDS			\$20,528,026	
OTHER FUNDS				
TOTAL FUNDS	\$75,000	\$0	\$31,639,990	\$0

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

Explanation of Estimate:

LB 204 provides for reimbursement for pharmacy dispensing fees under the Medical Assistance Program by setting a standard rate for fee-for-service (FFS) and Managed Care Organizations (MCOs). It also requires the completion of a cost of dispensing survey every two years, which will be administered by the Department of Health and Human Services (DHHS). Cost surveys are time intensive and may require a contractor to evaluate the survey findings, write the report, and determine cost based dispensing fee. The estimated cost for the use of a contractor to perform the survey is \$75,000 per survey (every two years). LB204 does not define when the first annual cost survey needs to occur; this fiscal note assumes the survey will take place in SFY 2024.

The current dispensing fee for retail, long-term care, intermediate care facilities, and specialty pharmacy for FFS is \$10.02. The current dispensing fee for Iowa is \$10.38, which is the dispensing fee assumed in this fiscal note. The estimated increase in fees for FFS is \$517. The date to implement the \$10.38 dispensing fee is July 1, 2024.

NE Medicaid Population	Date Range	Total Paid Claims	Total Paid Claims with a Dispensing Fee	Actual Dispensing Fees Paid SFY 2022 (at current \$10.02 fee)	What Dispensing Fee would be if rate is changed to \$10.38	Cost Estimate to Increase Fee to \$10.38 for SFY 2022
Fee-for-service (FFS)	SFY 2022	2,113	1,436	\$14,388.72	\$14,905.68	\$516.96

The MCO dispensing fees are negotiated between the MCO and the individual pharmacy or chain, which is allowable per MCO contracts. MCOs currently pay professional dispensing fees in accordance with the type of pharmacy; MCOs pay different fees for independent, chain, specialty, and long-term care pharmacies. LB204 has the contingency of successfully executing a contractual agreement with the MCOs. The estimated cost to increase all MCO dispensing fees from the current fee to \$10.38 is \$31,639,473. This increase will be passed along to the state in the form of capitation payments.

Total number of distinct dispensing fees paid SFY 2022 (MCOs)	Total dollar amount of dispensing fees paid in SFY 2022	Cost estimate to increase all dispensing fees from current fee to \$10.38
4,395,271	\$13,983,440	\$31,639,473

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2023-2024	2024-2025
	23-24	24-25	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$75,000	\$31,639,990
Capital Improvements.....				
TOTAL.....			\$75,000	\$31,639,990