



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2019 Biennium

<b>Bill #</b>	HB0628
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<b>Title:</b>	Require reporting of pricing factors for certain prescription drugs
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<b>Primary Sponsor:</b>	Karjala, Jessica
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<b>Status:</b>	As Introduced
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- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$47,546	\$44,595	\$45,264	\$45,943
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 628 establishes a new reporting requirement of pricing factors for certain prescription drugs. Manufacturer's whose wholesale acquisition cost increases by more than triple the increase in the consumer price index for medical care commodities, shall provide all relevant information to the State Auditor's Office as well as supporting documentation to justify the cost increase.

### FISCAL ANALYSIS

#### Assumptions:

1. It is unclear what the volume of reporting by manufacturers and Pharmacy Benefit Managers (PBM) under this legislation might be. The State Auditor's Office (SAO) will need to determine who the applicable manufacturers and PBM's are, how those entities compile the data required under the legislation, and how the to coordinate requests for information with the entities.
2. The SAO will review information provided by prescription drug manufacturers when the wholesale acquisition costs increases by more than three-times the increase in the consumer price index for medical care commodities. Information provided by the drug manufacturers may include factors that have contributed to the increased cost of the drug, the percentage of the increased cost attributable to each factor, and an explanation of the role of each factor in contributing to the cost increase of the drug.
3. The SAO will utilize existing legal staff and budgetary resources to perform the initial research for implementation of HB 628.

4. The SAO will require a 0.50 FTE Administrative Specialist band 6 to set up the communication channels with the manufacturers and PBM’s, compile information received from the entities, devise a system to protect proprietary information, establish reporting requirements, and prepare required reports for legislative review. Salary and benefits will be \$39,190 in FY 2018 and \$39,039 in FY 2019.
5. Operating costs for the new employee are \$8,356 in FY 2018 (office package \$1,600; computer \$1,200; phone and computer connections \$2,448; and rent \$3,108) and \$5,556 in FY 2019 (phone and computer connections \$2,448 and rent \$3,108).

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.50	0.50	0.50	0.50
<b><u>Expenditures:</u></b>				
Personal Services	\$39,190	\$39,039	\$39,625	\$40,219
Operating Expenses	<u>\$8,356</u>	<u>\$5,556</u>	<u>\$5,639</u>	<u>\$5,724</u>
<b>TOTAL Expenditures</b>	<u><u>\$47,546</u></u>	<u><u>\$44,595</u></u>	<u><u>\$45,264</u></u>	<u><u>\$45,943</u></u>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	<u>\$47,546</u>	<u>\$44,595</u>	<u>\$45,264</u>	<u>\$45,943</u>
<b>TOTAL Funding of Exp.</b>	<u><u>\$47,546</u></u>	<u><u>\$44,595</u></u>	<u><u>\$45,264</u></u>	<u><u>\$45,943</u></u>
<b><u>Revenues:</u></b>				
State Special Revenue (02)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Revenues</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	(\$47,546)	(\$44,595)	(\$45,264)	(\$45,943)

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Sponsor’s Initials

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Date

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Budget Director’s Initials

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Date