

FISCAL NOTE
Requested by Legislative Council
12/19/2014

Revised
 Bill/Resolution No.: HB 1041

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$50,000		\$106,080
Expenditures			\$50,000	\$50,000	\$106,080	\$106,080
Appropriations			\$50,000	\$50,000	\$106,080	\$106,080

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB1041 requires the Department to issue a request for proposal for the health insurance component and a proposal for the pharmacy component of Medicaid Expansion. It also requires an annual audit of the Pharmacy Benefit Manager's services if the pharmacy component is not provided by the Department.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Costs for the pharmacy portion of the managed care organization (MCO) product are blended into the overall monthly capitated rate; therefore, it is not possible to directly compare the fiscal effect of MCO to Traditional Medicaid Fee-for-Service (FFS). However, the MCO arrangement provides payment to the pharmacy dispensing the prescription, a payment to the Pharmacy Benefits Manager (PBM) authorizing payment to the pharmacy for the prescription, and payment to the health plan who contracted with the PBM to coordinate the pharmacy component. With a Traditional Medicaid FFS pharmacy payment approach, only one entity (the pharmacy) would be receiving a payment. Also, with Traditional ND Medicaid FFS, all prescriptions would be from manufacturers that participate in the Medicaid Drug Rebate program and the Drug Use Review Board's prior authorization program would be followed. Therefore, it is expected that rebate collections would be greater than under the MCO model. Section 1 subsection 3b establishes reporting requirements of the PBM which includes an annual audit. The fiscal impact above only represents the additional expenditures incurred to have an audit performed and these expenditures will only be incurred if the department does not provide the pharmacy component internally. The department is anticipating one audit occurring in 15-17 and two audits occurring in the 17-19 biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The Department will be able to access federal Medicaid funding of \$50,000 for the 15-17 biennium and \$106,080 for the 17-19 biennium.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

If the pharmacy services are not provided by the Department, the Department would anticipate one audit in the 15-17 biennium increasing expenditures by \$100,000 of which \$50,000 would be Federal funds and \$50,000 would be General Fund. In the 17-19 biennium expenditures will increase to \$212,160 of which \$106,080 will be Federal funds and \$106,080 will be General Fund, providing for an annual audit in each year of the 17-19 biennium.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

If the pharmacy services are not provided by the Department, the Department will need an appropriation increase for the 15-17 biennium of \$100,000 of which \$50,000 will be Federal funds and \$50,000 will be General Fund. The Department will need an appropriation increase for the 17-19 biennium of \$212,160 of which \$106,080 will be Federal funds and \$106,080 will be General Fund.

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