

FISCAL NOTE
Requested by Legislative Council
02/06/2019

Amendment to: HB 1374

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$72,769,667		\$101,818,803
Expenditures			\$(12,826,104)	\$71,280,923	\$(18,602,126)	\$99,659,628
Appropriations			\$(12,826,104)	\$71,280,923	\$(18,602,126)	\$99,659,628

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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).*

HB 1374 will grant a continuing appropriation and provide application for the Department of Human Services to establish a pharmacy benefits program for use by Medical Assistance Program, Medicaid Expansion, and the Public Employees Retirement System (NDPERS).

- 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.*

See attachment "Fiscal Schedule" for a more detailed overview.

HB 1374 section 1 allows the Department to act as the pharmacy benefits manager (PBM) for Medical Assistance, including Medicaid Expansion, and the North Dakota Public Employees Retirement System (NDPERS). The Department currently processes pharmacy claims for traditional Medical Assistance, so there is no fiscal impact for that included in this fiscal note. Because the Department's executive budget request included bringing Medicaid Expansion in-house, effective January 1, 2020, there is no fiscal impact for Medicaid Expansion included in this fiscal note. The Department obtained from NDPERS the number of members, prescription count, total NDPERS payments for pharmacy claims, and prescription data for calendar year 2018. The Department then compared the NDPERS amount paid for drugs and the average cost per member per year with ND Medicaid information. Rather than incur IT costs to modify the Department's claims processing system, the Department would contract out for the processing of claims with a transparent PBM much like is done at WSI, for an expected total cost of \$2,720,327. Based on claims volume and patient population, based off of NDPERS 2018 prescription data a total cost of \$69,379,740, it would take 3 FTE to administer the program, for a total cost of \$669,600. This is a total cost for the Department of \$72,769,667, compared to the NDPERS projections of \$87,084,516. The Department averaged the per patient per year costs between the Medicaid population and the NDPERS population to calculate the savings of \$14,314,849.

The Department estimates the total for the 2019 – 2021 biennium to be \$72,769,667 in other expenditures.

Section 2 NDPERS is projected to save \$14,314,849 in other expenditures.

The expected 2019 - 2021 total reduction to the NDPERS program in total is \$14,315,849, of which \$6,198,329, is general fund and \$6,627,775 are state special funds that are paid by other state agencies.

The expected 2021 - 2023 total reduction to the NDPERS program in total is \$20,761,301, of which \$8,989,643, is general and \$9,612,482 are state special funds that are paid by other state agencies.

HB 1374 section 2 requires NDPERS to pay the Department \$72,769,667 for 2019 – 2021 biennium. This is a reduction of \$14,314,849 from the NDPERS projected budget of \$87,084,516.

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 charge NDPERS for pharmacy benefits management services, NDPERS will collect revenue equal to the amount paid to the Department for pharmacy benefit purchases. We expect a decrease in revenue collected by to NDPERS paid by other agencies in the amount of \$14,314,849.

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.*

See attachment "Fiscal Schedule" for a more detailed overview.

HB 1374 section 1 allows the Department to act as the pharmacy benefits manager (PBM) for Medical Assistance, including Medicaid Expansion, and the North Dakota Public Employees Retirement System (NDPERS). The Department currently processes pharmacy claims for traditional Medical Assistance, so there is no fiscal impact for that included in this fiscal note. Because the Department's executive budget request included bringing Medicaid Expansion in-house, effective January 1, 2020, there is no fiscal impact for Medicaid Expansion included in this fiscal note. The Department obtained from NDPERS the number of members, prescription count, total NDPERS payments for pharmacy claims, and prescription data for calendar year 2018. The Department then compared the NDPERS amount paid for drugs and the average cost per member per year with ND Medicaid information. Rather than incur IT costs to modify the Department's claims processing system, the Department would contract out for the processing of claims with a transparent PBM much like is done at WSI, for an expected total cost of \$2,720,327. Based on claims volume and patient population, based off of NDPERS 2018 prescription data a total cost of \$69,379,740, it would take 3 FTE to administer the program, for a total cost of \$669,600. This is a total cost for the Department of \$72,769,667, compared to the NDPERS projections of \$87,084,516. The Department averaged the per patient per year costs between the Medicaid population and the NDPERS population to calculate the savings of \$14,314,849.

The Department estimates the total for the 2019 – 2021 biennium to be \$72,769,667 in other expenditures.

Section 2 NDPERS is projected to save \$14,314,849 in other expenditures.

The expected 2019 - 2021 total reduction to the NDPERS program in total is \$14,315,849, of which \$6,198,329, is general fund and \$6,627,775 are state special funds that are paid by other state agencies.

The expected 2021 - 2023 total reduction to the NDPERS program in total is \$20,761,301, of which \$8,989,643, is general and \$9,612,482 are state special funds that are paid by other state agencies.

HB 1374 section 2 requires NDPERS to pay the Department \$72,769,667 for 2019 – 2021 biennium. This is a reduction of \$14,314,849 from the NDPERS projected budget of \$87,084,516.

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.*

Section 1 of HB 1374 for the 2019 - 2021 biennium the Department of Human Services would need an appropriation increase, of \$72,769,667, of which all is other funds, to the base level budget in SB 2012. An additional 3 FTE will need to be added to the Department base budget, for a total cost \$669,600 that is included in the \$72,769,667 of which is all other funds.

For the 2021 - 2023 biennium the Department of Human Services would need appropriation authority of \$101,818,803 , of which all is other funds.

Section 2 of HB 1374 for the 2019 – 2021 biennium NDPERS would need a total appropriation to the Department for \$72,769,667 for pharmacy benefits. The Department estimates that NDPERS, would need a reduction in the base budget of \$14,314,849.

For the 2021 – 2023 biennium NDPERS would need a total appropriation to the Department for \$101,818,803 to the Department for pharmacy benefits.

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Date Prepared: 02/07/2019

North Dakota Department of Human Services
HB 1374 Fiscal Note
2019 - 2021 Legislative Session

SFY 2020	SFY 2021	SFY 2022	SFY 2023	
\$ 2.00	\$ 2.06	\$ 2.12	\$ 2.18	Cost per claim
41,667	41,667	41,667	41,667	Total claims per Month (500,004 for SFY 2020)
\$ 10.00	\$ 10.30	\$ 10.61	\$ 10.93	Two Special \$5 mailings
53,648	53,648	53,648	53,648	Member mailing count
\$ 6	\$ 12	\$ 12	\$ 12	Months
	3%	3%	3%	Inflation for costs
53,648	13,412	13,412	13,412	Member Cards
1.50	1.55	1.60	1.65	Card cost
\$ 70.44	\$ 72.55	\$ 74.73	\$ 76.97	Per patient per month Rx cost (Avg NDcaid, PERS)
\$ 83.99				ND Pers average cost per month CY 2018
\$ 56.88	(this is high due to net cost consideration)			Medicaid average cost per month, prerebate CY 2018
\$ 14,229,496	\$ 14,656,381	\$ 15,096,072	\$ 15,548,954	Pers Quarterly Amount
2	4	4	4	PERS Quarters

	Total	FTE (3)	Member Cost (\$/Mbr*Mbr*M)	Claim Processing (\$/clm * clms * M)	Average Annual Rx per Person (Mbr * Avg \$*M)
SFY 2020	\$ 24,055,947	\$ 265,200	\$ 616,952	\$ 500,004	\$ 22,673,791
SFY 2021	\$ 48,713,720	\$ 404,400	\$ 573,363	\$ 1,030,008	\$ 46,705,949
19-21 Biennium	\$ 72,769,667	\$ 669,600	\$ 1,190,315	\$ 1,530,012	\$ 69,379,740
PERS Total	\$ 87,084,516				
Difference (Savings)	\$ (14,314,849)				

Total	State 43.3%	Federal 10.4%	Special 46.3%	State/Special Total
(14,314,849)	\$ (6,198,329)	\$ (1,488,744)	\$ (6,627,775)	\$ (12,826,104)

	Total	FTE (3)	Member Cost (\$/Mbr*Mbr*M)	Claim Processing (\$/clm * clms * M)	Average Annual Rx per Person (Mbr * Avg \$*M)
SFY 2022	\$ 50,164,452	\$ 404,400	\$ 590,664	\$ 1,060,008	\$ 48,109,380
SFY 2023	\$ 51,654,351	\$ 404,400	\$ 608,503	\$ 1,090,009	\$ 49,551,439
21-23 Biennium	\$ 101,818,803	\$ 808,800	\$ 1,199,167	\$ 2,150,017	\$ 97,660,819
PERS Total	\$ 122,580,104				
Difference (Savings)	\$ (20,761,301)				

Total	State 43.3%	Federal 10.4%	Special 46.3%	State/Special Total
(20,761,301)	\$ (8,989,643)	\$ (2,159,175)	\$ (9,612,482)	\$ (18,602,126)