

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$152,801		\$305,602	
CASH FUNDS	\$95,932		\$191,864	
FEDERAL FUNDS	\$20,401		\$40,803	
OTHER FUNDS	\$144,614		\$289,228	
TOTAL FUNDS	\$413,748		\$827,496	

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

LB 718 proposes requirements for cost sharing on a prescription drug.

The Department of Administrative Services estimates that the change in cost sharing requirement would have an annual cost of \$65,000 of which the Department would be responsible for 79% of the premiums for a total cost of \$51,350 to DAS. The allocation by fund type is as follows:

Fund Type	Percentage by Fund Type	Estimated Expenditures FY 2022-23	Estimated Expenditures FY 2023-24
General Fund	51%	\$13,094	\$26,189
Cash Fund	26%	\$6,676	\$13,351
Federal Fund	19%	\$4,878	\$9,757
Revolving Fund	4%	\$1,027	\$2,054
Total	100%	\$25,675	\$51,350

The University of Nebraska Systems anticipates an annual increase in costs of \$776,146. Allocation by fund type is as follows:

Fund Type	Estimated Expenditures FY 2022-23	Estimated Expenditures FY 2023-24
General Fund	\$139,706	\$279,413
Cash Fund	\$89,257	\$178,513
Federal Fund	\$15,523	\$31,046
Revolving Fund	\$143,587	\$287,174
Total	\$388,073	\$776,146

There is no fiscal impact for the Department of Insurance.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 718	AM:	AGENCY/POLT. SUB: Department of Administrative Services
REVIEWED BY: Neil Sullivan	DATE: 1/20/2022	PHONE: (402) 471-4179
COMMENTS: The Department of Administrative Services assessment of enterprise fiscal impact from LB 718 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 718	AM:	AGENCY/POLT. SUB: Department of Insurance
REVIEWED BY: Neil Sullivan	DATE: 1/14/2022	PHONE: (402) 471-4179
COMMENTS: The Department of Insurance assessment of no fiscal impact from LB 718 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 718	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Neil Sullivan	DATE: 1/14/2022	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the University of Nebraska assessment of fiscal impact from LB 718.		

Please complete ALL (5) blanks in the first three lines.

2022

LB⁽¹⁾ 718

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS)
- Employee Wellness & Benefits

Prepared by: ⁽³⁾ Jennifer Norris Date Prepared: ⁽⁴⁾ 01-07-2022 Phone: ⁽⁵⁾ 402/471-4443

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>

Explanation of Estimate:

LB 718 as introduced would provide requirements for cost-sharing on a prescription drug. For any health plans that are entered, amended, extended, or renewed on or after January 1, 2023, an enrollee’s defined cost share for each prescription drug shall be calculated at the point of sale based on a price that is reduced by an amount equal to at least eighty percent of all rebates received, or to be received, in connection with the dispensing or administration of the prescription drug.

If LB 718 were to be applied to the State of Nebraska’s pharmacy plans, the proposed cost sharing would have an estimated financial impact of \$32,500 in FY22-23 (January-June 2023) and \$65,000 in FY23-24.

Regular and Wellness Plans With/Without Incentive Plans

Eighty-five percent (85%) of the State’s membership are in three-tiered drug co-pay plans – Regular and Wellness without Incentive Plans \$5/\$40/\$60 and Wellness with Incentive Plan \$5/\$30/\$50. There are no deductibles or coinsurance on prescription drugs in these plans. Not all drugs have a rebate.

Rebate example – Copay plans:

Drug Cost	\$500
Rebate	\$120 (80% of \$150 rebate)
Adjusted Cost	\$380

The most members are paying are for Tier 3 drugs at a \$50/\$60 copay, which is less than the cost of the drug of \$380, so in this example there is no impact to the State or member. It is estimated that across these plans any impact would be minimal.

High Deductible Health Plan/Consumer-Focused Plan

LB 718’s impact to the State is in the Consumer-Focused Plan, a high deductible plan that 15% of members have selected. This plan has deductible and coinsurance requirements on prescription drugs. Under LB 718 the member is still required to meet these requirements. Once the deductible is met the plan has a 20% coinsurance factor until the member meets their out-of-pocket maximum. The application of rebates would delay the member meeting their deductible and the 20% coinsurance requirements, or they might not meet the deductible during the Plan Year.

For example – Consumer Focus – Deductible not Met:

Drug Cost \$500 – member pays \$500 and \$500 is applied to deductible

Rebate example – Consumer Focused – Deductible not Met:

Drug Cost \$500

Rebate \$120 (80% of \$150 rebate)

Adjusted Cost \$380 – member pays, and this amount is applied to deductible / State’s rebate revenue available to reduce plan costs - reduced by \$120.

For example – Consumer Focused – Deductible Met - 20% coinsurance:

Drug Cost \$500 X 20% = \$100 member cost and applied to coinsurance requirement

Rebate example – Consumer Focused – Deductible Met - 20% coinsurance:

Drug Cost \$500

Rebate \$120 (80% of \$150 rebate)

Adjusted Cost \$380 X 20% = \$76 member would pay and would be applied to coinsurance / State’s rebate revenue available to reduce plan costs - reduced by \$120

The Consumer-Focused Plan also has copays on preventive drugs and would work the same as the other copay plans.

The State applies available cost-sharing rebates back into the State Employees Insurance Fund as revenue to increase the fund’s balance. The fund’s existing balance is used for current claims, to delay possible increases in premiums and increases in copays and deductibles.

The State’s health plans utilize trust funds; thus, no additional appropriation is being requested.

The State’s current medical plans are self-insured and increased costs and/or a reduction of rebate revenue will result in increased premium costs. The State pays 79% of the premium and the employee pays 21%. The changes proposed in LB 718 would impact the State’s and employee’s premium costs.

The State’s estimated impact in FY22-23 is \$25,675 (Jan-June 2023) and \$51,350 in FY23-24.

$\$32,500 \times 79\%$ (State’s Share) = \$25,675

$\$65,000 \times 79\%$ (State’s Share) = \$51,350

The table below summarizes the estimated impact by fund type of any premium increase. The allocation by fund type below is based on an average of Benefit expenditures over a four-year period (2018-2021).

Fund Type	Expenditures – FY22-23	Expenditures – FY23-24
General Fund	\$12,984	\$25,968
Cash Fund	\$6,518	\$13,035
Federal Fund	\$5,030	\$10,060
Revolving Fund	\$1,143	\$2,287
Total	\$25,675	\$51,350

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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2022

LB⁽¹⁾ 718

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Insurance

Prepared by: ⁽³⁾ Michael W. Anderson Date Prepared: ⁽⁴⁾ 1/10/2022 Phone: ⁽⁵⁾ 402-471-4649

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 718 provides requirements for cost-sharing and coverage regarding health plans, defines terms related to cost-sharing, and provides for rules and regulations of cost-sharing and coverage. Any increase in the amount of policy forms being filed for review as a result of this bill would be handled by existing staff. The Department of Insurance expects no fiscal impact as a result of LB 718.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2022

LB ⁽¹⁾ 0718 Provide requirements for cost-sharing and coverage relating to health care benefits and pharmacy benefit managers

FISCAL NOTE

State Agency OR Political Subdivision Name:⁽²⁾ University of Nebraska System

Prepared by:⁽³⁾ Chris Kabourek

Date Prepared:⁽⁴⁾ 01/11/2022

Phone:⁽⁵⁾ (402) 472-7156

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	139,706.00	0.00	279,413.00	0.00
CASH FUNDS	89,257.00	0.00	178,513.00	0.00
FEDERAL FUNDS	15,523.00	0.00	31,046.00	0.00
OTHER FUNDS	143,587.00	0.00	287,174.00	0.00
TOTAL FUNDS	388,073.00	0.00	776,147.00	0.00

Explanation of Estimate:

Currently, the rebates received by the University of Nebraska System health plan are used by the plan to pay for the cost of claims incurred and other health plan activities. LB 718 would require a portion of the rebates to be credited to participants to offset the participants' pharmacy co-pays and deductibles. This would result in a loss of revenue to the University of Nebraska System health plan. Using 2021 pharmacy plan activity, we estimate that \$776,147 of rebates currently utilized by the System's health plan would have to be redirected to offset a portion of the participants co-pays and deductibles.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2022-23	2023-24
	22-23	23-24	EXPENDITURES	EXPENDITURES
	0	0		
	0	0		
Benefits.....			388,073.00	776,147.00
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			388,073.00	776,147.00