

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 436** HLS 17RS 273
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 13, 2017 6:43 AM	Author: TALBOT
Dept./Agy.: Insurance, Board of Pharmacy, DHH	Analyst: Willis Brewer
Subject: Requires information regarding prescription drug prices	

DRUGS/PRESCRIPTION: EG +\$78,500 SG EX See Note Page 1 of 1

Requires drug manufacturers to provide information regarding prescription drug prices and establishes the Prescription Drug Review Committee within the Dept. of Insurance

Proposed law establishes the Prescription Drug Review Committee within the Louisiana Dept. of Insurance (LDI) and consists of nine members including the commissioner of insurance or his designee, the secretary of the La. Dept. of Health (LDH) or his designee, the president of the La. Board of Pharmacy or his designee, two public members appointed by the governor, two public members appointed by the president of the Senate, and two public members appointed by the speaker of the House of Representatives. Proposed law states public members serve five year terms, are eligible for reappointment, and require a significant healthcare or pharmacy background. Proposed law requires the Prescription Drug Review Committee to meet at a minimum of four times a year.

Proposed law requires the committee to prepare an annual report on prescription drug prices and their role in overall healthcare spending in the state based on the data submitted to the committee. Further requires the committee to include in the report a list of those prescription drugs that have a cost in La. that is excessively high when compared with the cost of the drug in other states and countries and when compared with the overall cost of researching, developing, and producing the drug in light of the number of years the drug has been made available for distribution.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$78,500	\$82,000	\$85,000	\$88,000	\$92,000	\$425,500
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$78,500	\$82,000	\$85,000	\$88,000	\$92,000	\$425,500

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed law is anticipated to increase expenditures to Louisiana Department of Insurance (LDI) and Board of Pharmacy. The proposed legislation establishes regulation in regards to prescription drug costs by creating the Prescription Drug Review Committee within LDI. This committee is composed of nine members and requires the committee to meet, at a minimum, four times per year. The Board membership includes the Commissioner of Insurance or his designee, the secretary of the La. Dept. of Health or his designee, the president of the La. Board of Pharmacy or his designee, two public members appointed by the governor, two public members appointed by the president of the Senate, and two public members appointed by the speaker of the House of Representatives.

The proposed law will require LDI to collect prescription drug information including price comparisons in other states and manufacturing costs from the drug manufacturer. This data is not currently collected by LDI and LDI is anticipating it will require an additional Insurance Specialist 2 position (\$69,148, salaries and benefits) to fulfill the research and collection of this prescription drug data. Based on LDI's average cost per employee from the prior year, LDI anticipates an additional \$7,239 in operating services and \$583 in office supplies. LDI will require additional budget authority for these expenditures. LDI originally stated it will incur approximately \$39,820 in one-time computer programming costs (assuming 362 IT hours at \$110 per hour) to develop a secure program and database to add this information to their web site. During testimony to the Committee on Insurance, LDI agreed to conduct an in depth review of these projected costs. After review, LDI determined it would not need to enter into a contract for computer programming as their current staff should be able to make the necessary modifications to their database and portal. LDI currently has 8 IT employees on staff with an additional 14 under contract. To the extent LDI requires contracted IT services, LDI will incur additional programming costs.

The Board of Pharmacy estimates its annual cost at approximately \$1,500 for its board members cost reimbursements (4 meetings x \$75 per diem x \$300 travel). Louisiana Department of Health (LDH) will be responsible for creating a form for healthcare providers to disclose prescription drug pricing information. LDH anticipates any increase in costs will be minimal and can be absorbed within their budget. To the extent any of the other board members are eligible for cost reimbursements (travel/per diems), it is anticipated to increase expenditures to the agency.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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