



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **SB 180** SLS 21RS 224  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 23, 2021	11:22 AM	<b>Author:</b> MILLS, FRED
<b>Dept./Agy.:</b> LDH/Medicaid		
<b>Subject:</b> procurement		<b>Analyst:</b> Shawn Hotstream

PROCUREMENT CODE OR SEE FISC NOTE GF EX Page 1 of 1  
 Provides relative to state procurement of certain services by use of reverse auction technology. (8/1/21)

Present law provides for the use of a reverse auction by a political subdivision to purchase materials, supplies, or equipment when the procurement officer determines that it is in the best interests of the political subdivision. Proposed law provides that professional services may also be procured through the reverse auction process. Proposed law defines a reverse auction as a competitive online solicitation process on the Internet for equipment, supplies, and other materials, including professional services, in which vendors compete against each other online in real time in an open and interactive environment. Proposed law defines professional services to include pharmacy benefit managers. Proposed law provides that LDH may procure and negotiate pharmacy benefit manager contracts through the use of a reverse auction pursuant to R.S. 39:1600(D).

<b>EXPENDITURES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						
<b>REVENUES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

Proposed law may result in a decrease in state and local government expenditures of an indeterminable amount associated with certain procurement efforts. Proposed law authorizes the use of a reverse auction procurement method for existing "professional services" contracts currently defined in law, and additionally adds Pharmacy Benefits Manager services to the list of professional services contracts eligible for the reverse auction process. The fiscal impact on state funds is indeterminable, and will depend on the scope of work in the particular contract and the bid process and outcome. Presumably such an auction process would be based on a price or cost competition only, and vendors would bid for goods, commodities, or professional services contracts (including Pharmacy Benefit Manager services) by competing with a lower price from an original or the last price point posted. Present law provides that a political subdivision using the reverse auction process shall retain the right to cancel the solicitation if it determines that it is in the political subdivision's best interest.

Note: The Division of Administration (DOA) indicates the infrastructure is currently in place for a reverse auction process. Additionally, the DOA has performed reverse auctions for the purchase of certain goods and commodities.

For informational purposes, DOA produces an annual report detailing the results of reverse auctions in accordance with LA R.S. 39:1600 (D)(4). In FY 19, 22 of 44 (50%) of reverse auctions held had one or zero bidders. In FY 20, 24 of 46 (52%) of reverse auctions had one or zero bidders. Since FY 17, 111 reverse auctions for goods and services have been held with the following reported results:

- 21 (18.9%) reverse bids were reported as a "success" outcome due to the bid award resulting in a cost savings to the agency in excess 2% below of the estimated bid price.
- 2 (1.8%) reverse bids were reported as "partial" success, resulting in procurement of a portion of the bid.
- 26 (23.4%) reverse bids were reported as having a "neutral" outcome due to the awarded bid coming within +/- 2% of the agency's cost estimate (13 or 11.7%), canceled at agency request due to timeliness (1 or 0.9%), or canceled due to specification (6 or 5.4%) or technical issues (6 or 5.4%).
- 62 (55.8%) reverse bids were reported as having a "failed" outcome due to: bids awarded over agency initial estimate (41 or 36.9%), cancelation by agency due to bid coming in over budget (5 or 4.5%), or zero bids were received (16 or 14.4%).

To the extent a failed bid requires a state agency to re-initiate the procurement process, the agency and the Office of State Procurement realize a workload increase associated with repeated processes. The magnitude of such impact cannot be quantified and will vary depending on the frequency and complexity of individual procurements.

**REVENUE EXPLANATION**

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

Senate  
 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}

*Alan M. Boxberger*  
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