

EXECUTIVE AGENCY
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: May 19, 2017

Agency Submitting: Business and Industry, Division of Insurance

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Personnel (Expense)		\$74,667	\$96,889	\$193,778
Total	0	\$74,667	\$96,889	\$193,778

Explanation

(Use Additional Sheets of Attachments, if required)

The Division of Insurance (DOI) has determined BDR 40-1217 will have a fiscal impact on the agency. The DOI has determined the BDR as written, will require one full time equivalent (FTE) position along with one contract employee. The DOI has provided the fiscal impact related to the Management Analyst III position however, the fiscal impact for the contract employee cannot be determined at this time. The contract position will require pharmaceutical knowledge in order to perform the rebate analysis and enforcement. The DOI does not currently have a contract in place for this type of service and will need to conduct further research to determine projected costs.

Please see attached Exhibit 1 - Fiscal Note Impact Statement.

Name Laurie Squartsoff

Title Chief Deputy Commissioner

GOVERNOR'S OFFICE OF FINANCE COMMENTS

Date Friday, May 19, 2017

The agency's estimate of staffing need appears reasonable. The GFO would also note that while the language regarding regulation promulgation is permissive, the regulatory requirements for pharmacy benefit managers are not. As such, the GFO suggests that the regulation development cost is an added fiscal impact to the Insurance Division.

Name Laura E. Freed

Title Exec. Branch Budget Officer

The proposed amendment for BDR 40-1217 aims to create regulatory oversight of pharmacy benefit managers (PBMs) in Nevada. Under Sections 17 - 25, the Division of Insurance (DOI) would be the agency responsible for the licensure and oversight of PBMs in the state. The DOI would be given authority to adopt regulations establishing the qualifications for licensure of PBMs and to ensure compliance with the requirements of this BDR. In addition to licensure of PBMs, the DOI would be responsible for monitoring the following:

- 1) Notification to third parties with which a PBM has a fiduciary duty of any activity, policy or practice of the pharmacy benefit manager that presents a conflict of interest that interferes with the ability of the pharmacy benefit manager to discharge that fiduciary duty;
- 2) Reimbursement to third parties with which a PBM has entered into a contract of at least 80 percent of the amount of any rebate obtained from a manufacturer for the sale to a covered person of a prescription drug used to treat diabetes;
- 3) Prohibitions against PBMs taking certain actions against a pharmacist or pharmacy; and
- 4) Requirements for PBMs to disclose and report rebates negotiated with and received from manufacturers of diabetes drugs.

This BDR also would require the DOI to collect annual reports from PBMs and post these reports on its website.

Outside of a PBM's role in processing pharmacy claims, the DOI currently does not regulate PBMs. The responsibilities proposed to be placed upon the DOI would have a fiscal impact.

The DOI believes that it has the system capabilities to license and collect data from the licensees with minimal fiscal impact from an operational level. Of concern to the agency is the added responsibilities to analyze rebate data and enforce those requirements as these skill sets would most likely require specific pharmaceutical knowledge and it may take us some time to find a new staff member with this skill set. Therefore, the full costs for this position cannot be determined at this time.

A full-time Management Analyst III would also be needed to collect and analyze rebate data from PBMs and enforce the requirements imposed by this BDR. This position and DOI staff would be responsible for processing complaints against PBMs from third parties and pharmacists related to the requirements of this BDR. A "third party" is defined to include "any other insurer or organization that provides health coverage or benefits or coverage of prescription drugs as part of workers' compensation insurance in accordance with state or federal law." This would include self-funded employer health plans.

Section A1: Line Item Detail by GL

Budget Account: 3813 B&I - INSURANCE REGULATION

Item No	Description	Actual 2015-2016	Work Program 2016-2017	W50 Year 1 2017-2018	W50 Year 2 2018-2019
E225	EFFICIENT AND RESPONSIVE STATE GOVERNMENT				
	EXPENDITURE				
01	PERSONNEL SERVICES				
5100	SALARIES	0	0	50,066	68,959
5200	WORKERS COMPENSATION	0	0	1,187	883
5300	RETIREMENT	0	0	7,260	9,999
5400	PERSONNEL ASSESSMENT	0	0	300	414
5500	GROUP INSURANCE	0	0	6,293	8,391
5700	PAYROLL ASSESSMENT	0	0	70	97
5750	RETIRED EMPLOYEES GROUP INSURANCE	0	0	1,182	1,627
5800	UNEMPLOYMENT COMPENSATION	0	0	35	48
5840	MEDICARE	0	0	726	999
	TOTAL FOR CATEGORY 01	0	0	67,119	91,417
04	OPERATING				
7020	OPERATING SUPPLIES	0	0	120	60
7050	EMPLOYEE BOND INSURANCE	0	0	1	1
7054	AG TORT CLAIM ASSESSMENT	0	0	116	116
705A	NON B&G - PROP. & CONT. INSURANCE	0	0	2	3
7110	NON-STATE OWNED OFFICE RENT	0	0	3,409	4,545
7255	B & G LEASE ASSESSMENT	0	0	39	62
7292	EITS 18-19 ELIM (OLD EITS VOICEMAIL)	0	0	43	43
7295	EITS 18-19 ELIM (OLD EITS STATE PHONE LINE)	0	0	161	161
7460	EQUIPMENT PURCHASES < \$1,000	0	0	90	0
8371	COMPUTER HARDWARE <\$5,000 - A	0	0	24	0
	TOTAL FOR CATEGORY 04	0	0	4,005	4,991
05	EQUIPMENT				
8241	NEW FURNISHINGS <\$5,000 - A	0	0	1,129	0
	TOTAL FOR CATEGORY 05	0	0	1,129	0
26	INFORMATION SERVICES				
7533	EITS EMAIL SERVICE	0	0	175	175
7554	EITS INFRASTRUCTURE ASSESSMENT	0	0	155	155
7556	EITS SECURITY ASSESSMENT	0	0	107	107
7771	COMPUTER SOFTWARE <\$5,000 - A	0	0	527	44
8371	COMPUTER HARDWARE <\$5,000 - A	0	0	1,450	0
	TOTAL FOR CATEGORY 26	0	0	2,414	481
	TOTAL EXPENDITURES FOR DECISION UNIT E225	0	0	74,667	96,889

State of Nevada - Budget Division
Line Item Detail & Summary
2017-2019 Biennium (FY18-19)

Item No	Description	Actual	Work Program	W50	W50
		2015-2016	2016-2017	Year 1 2017-2018	Year 2 2018-2019
	TOTAL REVENUES FOR BUDGET ACCOUNT 3813	0	0	0	0
	TOTAL EXPENDITURES FOR BUDGET ACCOUNT 3813	0	0	74,667	96,889