

Multiple Agency Fiscal Note Summary

Bill Number: 6558 S SB AMH HCW H4592.1	Title: Hospital pharmacy licenses
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Estimated Cash Receipts

Agency Name	2015-17		2017-19		2019-21	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of Attorney General	0	64,764	0	0	0	0
Department of Health	0	0	0	87,000	0	58,000
Total \$	0	64,764	0	87,000	0	58,000

Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Attorney General	.3	0	64,764	.0	0	0	.0	0	0
Department of Health	.5	0	160,000	.2	0	31,000	.1	0	24,000
Total	0.8	\$0	\$224,764	0.2	\$0	\$31,000	0.1	\$0	\$24,000

Estimated Capital Budget Impact

NONE

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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 44562

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 6558 S SB AMH HCW H4592.1	Title: Hospital pharmacy licenses	Agency: 100-Office of Attorney General
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2016	FY 2017	2015-17	2017-19	2019-21
Legal Services Revolving Account-State 405-1	21,088	43,676	64,764		
Total \$	21,088	43,676	64,764		

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.2	0.4	0.3	0.0	0.0
Account					
Legal Services Revolving Account-State 405-1	21,088	43,676	64,764	0	0
Total \$	21,088	43,676	64,764	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

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If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

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Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/07/2016
Agency Preparation: Michael Shinn	Phone: 360-759-2100	Date: 03/15/2016
Agency Approval: Nick Klucarich	Phone: 360-586-3434	Date: 03/15/2016
OFM Review: Regan Hesse	Phone: (360) 902-0650	Date: 03/16/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 adds a new section to chapter 18.64 RCW, and is an intent section. The Legislature is amending chapter 18.64 to clarify its recent directive to the Pharmacy Quality Assurance Commission (PQAC) to allow hospital pharmacy licenses to include individual and multipractitioner offices under a hospital's license, and to specify a clear timeline for implementation.

Section 2 amends RCW 18.64.043 to require that pharmacy owners filing Declarations of Ownership and Location to file with the PQAC, rather than Department of Health (DOH). Licenses may include locations that are under common control with the licensed hospital. Any updates to application, renewal, or related forms necessary are required within 90 days of the act's effective date. PQAC is required to provide specific information regarding the standards to which particular pharmacy services will be held. Owners must inform PQAC (instead of DOH) of pharmacy location changes. If the PQAC determines that rules are necessary to implement inspection standards under this section, they are required to adopt emergency rules within 90 days of the effective date of the section, to be followed by permanent rules.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Cash receipts are assumed to equal the Legal Service Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is DOH. The Office of the Attorney General (AGO) will bill DOH for legal services rendered.

Please note that these cash receipts represent the AGO authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency's fiscal note. Appropriation authority is necessary in the AGO budget.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

In order to provide legal services for DOH, the AGO estimates a workload impact of

FY 2016: 0.1 Assistant Attorney General (AAG) and 0.05 Legal Assistant (LA) at a cost of \$21,088.

FY 2017: 0.2 Assistant Attorney General (AAG) and 0.1 Legal Assistant (LA) at a cost of \$43,676 (this includes direct litigation costs of \$1,500).

AGO Agency Assumptions:

1. Legal services associated with the enactment of this bill will begin in April 2016.
2. A 1.8% salary increase beginning in FY 2017 is included in accordance with the 2015-17 enacted biennial budget.

Assumptions for the AGO Agriculture and Health Division (AHD) Legal Services for DOH:

1. AHD will bill DOH for legal services based on the enactment of this bill.
2. This bill provides that if the PQAC Commission determines that rules are necessary for immediate implementation of the inspection standards of the bill, emergency rules will be put into effect until final licensing standards for pharmacies can be adopted.
3. AHD will provide legal advice to DOH and the Pharmacy Commission on the implementation of the bill, rulemaking to include the review of draft rules, rulemaking procedures, and advice to the Pharmacy Commission at rulemaking hearings.
4. Emergency rulemaking will commence in FY 2016 and require 0.1 AAG. Permanent rulemaking will follow and require 0.2 AAG in FY 2017.
5. Direct litigation costs (\$1,500) are included in FY2017 for expenses to attend client rulemaking workshops and hearings.
6. Legal services related to the enactment of this bill beginning in FY 2018 are not included in this request.

Note: Agency administration support FTEs are included in the tables below, using a Management Analyst 5 as a representative classification.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.2	0.4	0.3		
A-Salaries and Wages	13,646	27,053	40,699		
B-Employee Benefits	4,384	8,838	13,222		
C-Professional Service Contracts		1,500	1,500		
E-Goods and Other Services	2,758	5,685	8,443		
G-Travel	100	200	300		
J-Capital Outlays	200	400	600		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$21,088	\$43,676	\$64,764	\$0	\$0

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2016	FY 2017	2015-17	2017-19	2019-21
Assistant Attorney General	91,884	0.1	0.2	0.2		
Legal Assistant III	46,056	0.1	0.1	0.1		
Management Analyst 5	71,844		0.1	0.0		
Total FTE's	209,784	0.2	0.4	0.3		0.0

III. C - Expenditures By Program (optional)

Program	FY 2016	FY 2017	2015-17	2017-19	2019-21
Agriculture and Health Division (AHD)	21,088	43,676	64,764		
Total \$	21,088	43,676	64,764		

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

None.

Individual State Agency Fiscal Note

Bill Number: 6558 S SB AMH HCW H4592.1	Title: Hospital pharmacy licenses	Agency: 303-Department of Health
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2016	FY 2017	2015-17	2017-19	2019-21
Health Professions Account-State 02G-1				87,000	58,000
Total \$				87,000	58,000

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.5	0.5	0.5	0.2	0.1
Account					
Health Professions Account-State 02G-1	71,000	89,000	160,000	31,000	24,000
Total \$	71,000	89,000	160,000	31,000	24,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/07/2016
Agency Preparation: Donna Compton	Phone: (360) 236-4637	Date: 03/09/2016
Agency Approval: Stacy May	Phone: 360-236-4532	Date: 03/09/2016
OFM Review: Bryce Andersen	Phone: (360) 902-0580	Date: 03/10/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Fiscal impact did not change with this substitute bill.

Section 2: Amends RCW 18.64.043 (Pharmacy license—Fee—Display—Declaration of ownership and location—Penalties) to require hospitals, that elect to include practitioner offices or clinics under the hospital pharmacy license, to provide the Pharmacy Quality Assurance Commission (PQAC) information on the type of services provided at each site that are relevant to the practice of pharmacy. Ninety days after the effective date of the bill, PQAC must provide all related forms and applications. The combination of hospital pharmacies and practitioner offices or clinics will follow regulatory, inspection, and investigation standards that are reasonable and appropriate based on the level of risk and the type of services provided at the location. To regulate, inspect, and investigate such offices or clinics, PQAC will adopt rules to establish an additional reasonable fee.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 2: Current law, RCW 43.70.250, requires that a business-licensing program be fully self-supporting and that sufficient revenue collected through fees to fund expenditures. The calculation of specific fees will happen during rulemaking and a fee proposal presented as part of the rules package. Revenue collection will start immediately after rules are in effect.

Starting in fiscal year (FY) 2018, PQAC is estimating 96 hospital pharmacy licensees to endorse practitioner offices or clinics under its license. For the purpose of this fiscal note, a fee range illustrates potential fees based on assumed expenditures and licensees. The endorsement fee range is estimated between \$100 and \$500 for each endorsement. During the rulemaking process, a fee study is prepared with actual fees and provided for stakeholder input.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

PQAC may adopt rules under the expedited rule-making process in RCW 34.05.350 (Emergency Rules and Amendments). The emergency rules need to be in place within 90 days after the effective date of this bill. After emergency rules are complete, PQAC will proceed to adopt any necessary permanent rules. All emergency rules remain in effect without a break between the original emergency rule and any subsequent. There will be no interruption in the transition of effective rules or provision of the licensure option.

Rulemaking

Section 2: PQAC will develop and adopt emergency rules within 90 days. Once emergency rules are in effect, permanent rule making will begin. PQAC estimates establishing permanent rules for the hospital pharmacy licenses will take 18 months. Rulemaking will address pharmacy standards in a first-time regulated setting, and require unique inspection standards specific to the level of risk and type of service the offices and clinics provide.

Emergency rulemaking process will include four stakeholder meetings and one formal rules hearing, all meetings

will be held in free facilities. Attorney General time will be four days for the stakeholder meetings and one day for the hearing. Commission time will be three members and four days for the stakeholder meetings and one day for the hearing. The commission stakeholder meetings will take place during a regularly scheduled business meeting in effort to minimize costs.

Permanent rulemaking process will include four stakeholder meetings and one formal rules hearing, all meetings will be held in free facilities. Attorney General time will be four days for the stakeholder meetings and one day for the hearing. Commission time will be two members and four days for the stakeholder meetings, one day for the hearing, and four workshops. The commission stakeholder meetings will take place during a regularly scheduled business meeting in effort to minimize costs.

In fiscal year (FY) 2016, costs include staff and related costs, commission member time, and travel at \$50,000, and Office of Attorney General support, in the amount of \$21,000, for a total of 0.4 FTE and \$71,000. In fiscal year (FY) 2017, costs include staff and related costs, commission member time and travel at \$38,000, and Office of Attorney General support, in the amount of \$44,000, for a total 0.3 FTE and \$82,000. In (FY) 2018, costs include staff and related costs, commission member time, and travel for a total 0.1 FTE and \$7,000.

Discipline

Sections 2: PQAC estimates that 85 percent, or 96, of the current 113 hospital pharmacy licensees will exercise the option to include practitioner offices or clinics. Based on experience with hospital pharmacy licenses, PQAC is estimating a complaint rate of two percent of licensees per year.

The complaint response process includes five steps: 1) intake, 2) assessment, 3) investigation, 4) case disposition, and 5) adjudication. Staff review the complaint, identify the history of the person complained about, and help assess whether an investigation is needed. In more than half the cases, investigation is needed. The investigator obtains information about the complaint and the respondent and prepares a report detailing the findings. After investigation, the disciplining authority decides whether to pursue legal action. Staff attorneys, paralegals, and other staff work to develop the legal documents and charge the violation. Most cases are settled, and the staff attorney manages that process. If the respondent asks for a hearing, staff must schedule the hearing, and the health law judge considers all legal motions, presides over the hearing, and drafts the final order.

Cost estimates for the complaint response process associated with this bill were calculated using the department's Disciplinary Workload Model. Estimated discipline costs include staff and associated costs, increased commission member time, and minimal travel. In FY 2017, costs will be 0.1 FTE and \$7,000. In FY 2018 and ongoing, costs will be 0.1 FTE and \$12,000.

Beginning in fiscal year (FY) 2016 estimated expenditures include salary, benefit, and related costs for 0.1 FTE to assist with administrative workload activities. These activities include: policy and legislative relations; information technology; budget and accounting services; human resources; contracts; procurement, risk management, and facilities management. In (FY) 2017 estimated expenditures include salary, benefit, and related costs for 0.2 FTE to assist with administrative workload activities.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.5	0.5	0.5	0.2	0.1
A-Salaries and Wages	27,000	23,000	50,000	16,000	12,000
B-Employee Benefits	8,000	7,000	15,000	5,000	4,000
E-Goods and Other Services	27,000	48,000	75,000	2,000	2,000
G-Travel	9,000	11,000	20,000	8,000	6,000
Total:	\$71,000	\$89,000	\$160,000	\$31,000	\$24,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2016	FY 2017	2015-17	2017-19	2019-21
Board Member FTE @ 50 per day		0.2	0.2	0.2	0.1	
Fiscal Analyst 2	45,828	0.1	0.1	0.1		
HEALTH SERVICES	70,056	0.2	0.1	0.2	0.1	0.1
CONSULTANT 4						
Health Svcs Conslt 1	44,712		0.1	0.1		
Total FTE's	160,596	0.5	0.5	0.5	0.2	0.1

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Sections 2: PQAC will adopt rules as necessary to implement the bill.