

Individual State Agency Fiscal Note

Bill Number: 6088 S SB AMH APP H5317.1	Title: Rx drug affordability board	Agency: 107-Washington State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	1.7	5.3	3.5	4.5	4.5
Account					
General Fund-State 001-1	264,000	1,513,000	1,777,000	2,826,000	2,826,000
Total \$	264,000	1,513,000	1,777,000	2,826,000	2,826,000

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: 03/06/2020
Agency Preparation: Melissa Hanna	Phone: 360-725-5295	Date: 03/10/2020
Agency Approval: Michael Paquette	Phone: 360-725-0875	Date: 03/10/2020
OFM Review: Jason Brown	Phone: (360) 902-0539	Date: 03/10/2020

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.

See attached narrative

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.

See attached narrative

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.

See attached narrative

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	264,000	1,513,000	1,777,000	2,826,000	2,826,000
Total \$			264,000	1,513,000	1,777,000	2,826,000	2,826,000

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	1.7	5.3	3.5	4.5	4.5
A-Salaries and Wages	143,000	454,000	597,000	774,000	774,000
B-Employee Benefits	44,000	152,000	196,000	258,000	258,000
C-Professional Service Contracts		818,000	818,000	1,636,000	1,636,000
E-Goods and Other Services	20,000	84,000	104,000	150,000	150,000
G-Travel	1,000	3,000	4,000	4,000	4,000
J-Capital Outlays	56,000	2,000	58,000	4,000	4,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	264,000	1,513,000	1,777,000	2,826,000	2,826,000

III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
Communications Consultant 5	92,859	0.3	0.5	0.4	0.5	0.5
Management Analyst 5	86,064	0.6	1.8	1.2	1.0	1.0
Medical Assistance Program Specialist 3	77,952	0.5	2.0	1.3	2.0	2.0
WMS Band 2	92,859	0.3	1.0	0.7	1.0	1.0
Total FTEs		1.7	5.3	3.5	4.5	4.5

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

Part V: New Rule Making Required

HCA Fiscal Note

Bill Number: 6088 SSB AMH APP 5317.1

HCA Request #: 20-183

Part II: Narrative Explanation

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

The engrossed bill differs from the original version by:

- Removing the ability of the board to create upper payment limits;
- Removes the definition of excess costs;
- Requires the board to coordinate and complement the work of the Washington State Health Care Authority (HCA), other boards, and other workgroups;
- Requires the board to provide the Health Care Cost Transparency Board with recommendations on cost growth benchmarks for prescription drugs;
- Authorizes the board to perform cost reviews of identified drugs;
- Modifies the boards cost review process and allows the board to consider public funding received for the development of drugs;
- Authorizes the board to make recommendations to mitigate the cost of certain prescription drugs;
- Amends the Drug Price Transparency report to be expanded to allow reporting of drugs and drug classes;
- Allows the Drug Price Transparency program to provide data to the Governor's office, the Attorney General's Office (AGO), and the Prescription Drug Affordability Board (PDAB).

Section 3 amends chapter 70.14 RCW requiring the PDAB to provide the Health Care Cost Transparency Board with recommendations for the means and methodologies to establish cost growth benchmarks related to prescription drugs by May 1, 2021.

Section 5 amends RCW 70.14 to allow the PDAB to notify manufacturers its determination and shall evaluate ways to mitigate cost when the board determines the pricing does not substantially exceed the value of the drug.

Section 6 amends RCW 43.71C.100 to allow the Health Care Authority (HCA) to report, in the Drug Price Transparency report, individual prescription drugs, individual classes of drugs and individual manufacturers in the case of single-source drugs.

Section 7 is a new section added to RCW 42.56 that exempts public disclosure of the data collected under Section 4 by the PDAB.

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This bill creates a new section that establishes PDAB to be administratively supported by the Washington State Health Care Authority (HCA).

Section 2 is a new section added to chapter 70.14 RCW to establish PDAB comprised of five members and outlines the requirements and composition of the board. HCA is tasked with providing administrative support and may adopt rules for governing the operations of this board.

Section 3 is a new section added to chapter 70.14 RCW to allow the board to use data collected pursuant to chapter RCW 43.71C or other data deemed relevant by PDAB that identify drugs that meet certain price thresholds or any other cost criteria as determined by PDAB.

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Section 4 is a new section added to chapter 70.14 RCW for PDAB to conduct cost reviews of prescription drugs identified in Section 3 of this bill.

II. B - Cash Receipts Impact

None-State Funds Only

II. C – Expenditures

HCA requests \$1,777,000 of General Fund-State funding in the 2019-21 Biennium for 3.5 Full Time Equivalent Staff (FTE) to support the PDAB.

HCA will need to create a new program to support PDAB and any advisory groups PDAB deems necessary. The description of work includes: creating reports and drug information to include monitoring drug costs and supply of drugs in state, open public meetings, publications, coordinating cost reviews of prescription drugs, coordinating and handling appeals, handling funding and any other administrative work to support PDAB and its processes.

HCA Clinical Quality and Care Transformation (CQCT) Division requests the below FTE's for implementation and ongoing maintenance.

- 1 FTE Management Analyst 5 hired for one-time implementation needs responsible for:
 - Global communications regarding the program;
 - Organize meetings for board and advisory committees;
 - Primary contact for appeals from external stakeholders;
 - Contract management with vendors for cost analyses.

- 2.0 FTE Medical Assistance Program Specialist 3 hired for implementation and ongoing program maintenance responsible for:
 - Program work coordination, including gathering data for PDAB, advisory committee reviews and cost analyses;
 - Analyze drug and cost data for PDAB's meeting, advisory committees, and cost analyses;
 - Primary contact for appeals from external stakeholders;
 - Organize ongoing board meetings;
 - Other program support activities as required;
 - Contract management with vendors for cost analyses and information gathering.

- .5 FTE Communications Consultant 5 hired for implementation and ongoing program maintenance responsible for:
 - Writing and editing duties required in all communication projects assigned from PDAB; to include but not limited to reports, external stakeholder communications, etc;
 - Assist in determining methods and techniques of disseminating information;
 - Consults with and advises on most efficient and most suitable means of producing all communication correspondence.

- 1.0 WMS Band 2 hired for one-time implementation and ongoing needs responsible for:
 - Program management and oversight;

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- Organize initial meetings for board and advisory committees;
 - Plan ongoing meetings for board and advisory committees;
 - Develop plan to implement contracts with vendors to provide cost analyses;
 - Global communications regarding the program.
- 1.0 FTE Management Analyst 5 for ongoing support to the Drug Price Transparency board referenced in section 6 responsible for:
 - Design data reporting for carriers and manufacturers with Enterprise Data Warehouse (EDW) for the data intake/export processes;
 - Assist in the development of a database to store, track and analyze information received from data organization;
 - Receive data and write annual legislative reports on drug spend;
 - Receive notices from manufacturers for receipt of narrative and financial information regarding the decision to increase drug costs and drug shortages;
 - Assist with non-compliance processes; and
 - Any WAC rule making related to this work.
 - HCA also requests funding for compensation to board members to participate on the board, hosting open public meetings and cost analyses with a vendor which will start in fiscal year 2021.
 - Four public meetings at an annual cost of \$83,600 to include payment for board members to participate on the board, room rentals, transcription services, and light refreshments;
 - Two advisory Groups with five members at an annual cost of \$5,400 for travel.
 - \$750,000 annually for contracting with a vendor to perform cost analyses for the board to use as part of the cost review in Section 4. Funding will allow us to investigate multiple drugs per year. This estimate is based on proxy reports for review of evidence and cost-effective analysis supporting the Health Technology Assessment (HTA) unit. The HTA unit pays \$700,000 per report, we anticipate a single report for the PDAB may be between \$150,000 to \$200,000 for each drug being reviewed depending on complexity and available evidence.

HCA's Expenditures by Object:

Objects		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
A	Salaries & Wages	143,000	454,000	387,000	387,000	387,000	387,000
B	Employee Benefits	44,000	152,000	129,000	129,000	129,000	129,000
C	Personal Serv Contr	-	818,000	818,000	818,000	818,000	818,000
E	Goods and Services	20,000	84,000	75,000	75,000	75,000	75,000
G	Travel	1,000	3,000	2,000	2,000	2,000	2,000
J	Capital Outlays	56,000	2,000	2,000	2,000	2,000	2,000
Total		264,000	1,513,000	1,413,000	1,413,000	1,413,000	1,413,000

HCA's Expenditures by Fund:

Expenditures			FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
001	GF-State	1	264,000	1,513,000	1,413,000	1,413,000	1,413,000	1,413,000
Total			264,000	1,513,000	1,413,000	1,413,000	1,413,000	1,413,000
Biennial Total				1,777,000		2,826,000		2,826,000

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HCA FTE's:

Job title	Salary	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
MANAGEMENT ANALYST 5	86,064	0.3	0.8	0.0	0.0	0.0	0.0
MEDICAL ASSISTANCE PROGRAM SPECIALIST 3	77,952	0.5	2.0	2.0	2.0	2.0	2.0
COMMUNICATIONS CONSULTANT 5	81,936	0.3	0.5	0.5	0.5	0.5	0.5
WMS BAND 2	92,859	0.3	1.0	1.0	1.0	1.0	1.0
MANAGEMENT ANALYST 5	86,064	0.3	1.0	1.0	1.0	1.0	1.0
Total	424,875	1.7	5.3	4.5	4.5	4.5	4.5

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None.