

Multiple Agency Fiscal Note Summary

Bill Number: 5203 E S SB 5203-S.E AMH HCW h1376.1	Title: Generic prescription drugs
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Estimated Cash Receipts

NONE

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	2.0	1,588,000	1,588,000	1,588,000	2.0	570,000	570,000	570,000	2.0	570,000	570,000	570,000
Total \$	2.0	1,588,000	1,588,000	1,588,000	2.0	570,000	570,000	570,000	2.0	570,000	570,000	570,000

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Jason Brown, OFM	Phone: (360) 742-7277	Date Published: Final 4/ 2/2021
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Individual State Agency Fiscal Note

Bill Number: 5203 E S SB 5203-S.E AMH HCW h1376.1	Title: Generic prescription drugs	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 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.0	2.0	2.0	2.0	2.0
Account					
General Fund-State 001-1	1,303,000	285,000	1,588,000	570,000	570,000
Total \$	1,303,000	285,000	1,588,000	570,000	570,000

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: Kim Weidenaar	Phone: 360-786-7120	Date: 03/24/2021
Agency Preparation: Kathryn Kingman	Phone: 360-725-0455	Date: 03/30/2021
Agency Approval: Tanya Deuel	Phone: 360-725-0908	Date: 03/30/2021
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 03/30/2021

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 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	1,303,000	285,000	1,588,000	570,000	570,000
Total \$			1,303,000	285,000	1,588,000	570,000	570,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.0	2.0	2.0	2.0	2.0
A-Salaries and Wages	191,000	191,000	382,000	382,000	382,000
B-Employee Benefits	64,000	64,000	128,000	128,000	128,000
C-Professional Service Contracts	1,000,000		1,000,000		
E-Goods and Other Services	26,000	26,000	52,000	52,000	52,000
G-Travel	2,000	2,000	4,000	4,000	4,000
J-Capital Outlays	20,000	2,000	22,000	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 \$	1,303,000	285,000	1,588,000	570,000	570,000

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 2022	FY 2023	2021-23	2023-25	2025-27
OPERATIONS RESEARCH SPECIALIST	97,872	1.0	1.0	1.0	1.0	1.0
WMS02	92,859	1.0	1.0	1.0	1.0	1.0
Total FTEs		2.0	2.0	2.0	2.0	2.0

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

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

HCA Fiscal Note

Bill Number: 5203-SE AMH HCW H1376.1

HCA Request #: 21-128

Part II: Narrative Explanation

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

This bill adds a new section to RCW 70.14 (Health care services purchased by state agencies) for creating a process where the Washington State Health Care Authority (HCA) enters into partnerships for the purchase and distribution of generic drugs.

The inclusion in this version of the bill of a definition for “purchase” affects the fiscal impact on HCA

The changes include:

Section 1(1) adds insulin to the definition of products HCA may enter into partnerships to procure, allowing both prescription drugs and insulin to be procured. It exempts partnership agreements with governmental entities from competitive solicitation requirements.

Section 1(5)(d) defines "purchase" as the acquisition of generic drugs and insulin, which is to be interpreted broadly and includes entering into contracts with manufacturers on behalf of those dispensing drugs and other innovative purchasing strategies to help increase access for Washington citizens to the best price available for insulin and generic prescription drugs.

This bill now contains:

Section 1(1) is added allowing HCA to enter into partnerships with other state(s) or other entity to produce, distribute or purchase generic prescription drugs and insulin. The drugs must be from a manufacturer that is registered with the United States Food and Drug Administration (FDA). Partnerships with non-governmental entities must use a competitive bidding process that is compliant with state law. Partnerships with governmental entities are exempt from the competitive solicitation requirement.

Section 1(3) states that for generic drugs that HCA has entered into partnership under this section, state purchased health care programs must purchase the generic drugs through the partnership, unless the state purchased health care program can obtain the generic prescription drug at a cost savings through another purchasing mechanism. Local governments, private entities, health carriers, and others may choose to voluntarily purchase the generic prescription drugs from HCA as available quantities allow.

Section 1(5) creates the definition of “state purchased health care” to mean medical and health care, pharmaceuticals, and medical equipment purchased with state and federal funds by the Department of Social and Health Services, Department of Health, HCA, Department of Labor and Industries, Department of Corrections, and Department of Veterans Affairs. State purchased health care does not include clients under RCW 74.09 (Medical Care). “Eligible prescription drug” is defined as a prescription drug or biological product that is not under patent. “Purchase” is defined as the acquisition of generic drugs and insulin, which is to be interpreted broadly and includes entering into contracts with manufacturers on behalf of those dispensing drugs and other innovative purchasing strategies to help increase access for Washington citizens to the best price available for insulin and generic prescription drugs.

HCA Fiscal Note

Bill Number: 5203-SE AMH HCW H1376.1

HCA Request #: 21-128

Section 2 updates references in RCW 70.14.060 from HCA “administrator [director]” to “director” and removes a prohibition from purchasing prescription drugs that conflicts with Section 1.

II. B - Cash Receipts Impact

None-State Funds Only.

II. C - Expenditures

HCA requests \$1,588,000 GF-State and 2.0 Full Time Equivalent (FTE) staff in the 2021-2023 biennium.

HCA Pharmacy Services Unit will lead implementation of this new program and will be responsible for contracting for partnerships for purchasing and distributing drugs in Washington State.

1.0 FTE (Operations Research Specialist) will be responsible for the following:

- Create and maintain a process for monitoring financial analyses to monitor costs and savings relative to other generics;
- Create reports for leadership and authorizing environment demonstrating success of program and partnerships;
- Review pharmacy cost and utilization data of state-purchased health care programs and future forecasts on generic drug markets to determine target drugs for potential partnerships;
- Determine feasibility of partnerships as a strategy to address costs or access for state-purchased health care programs;
- Research existing partnerships between states, groups of states, state agencies, non-profit organizations, and manufacturers to determine feasibility of leveraging existing partnerships for identified drugs.

1.0 FTE (WMS2) will be the primary procurement strategist and responsible for the following:

- Primary internal and external stakeholder communication resource;
- Draft language for new contracts or contract amendments between parties;
- Program management to include hiring and training;
- Develop the request for proposal (RFP) to hire consultants with expertise in drug manufacturing and distribution;
- Create a process for how entities outside of state-purchased health care may participate;
- Establish how HCA determines the cost and volume of procured drug through partnerships for state-purchased health care and any other contracted recipient entities;
- Create a process for monitoring partnerships, cost and utilization of procured generic drugs, and all other market dynamics related to drug classes;
- Determine processes to allow Uniform Medical Plan (UMP) members to access partnership drugs through existing pharmacy networks; and
- Create processes to interact with representatives of state-purchased health care programs on partnerships and other program operations.

HCA is requesting \$1,000,000 of one-time contract funding for supply chain consulting for a duration of 12 months.

HCA's Expenditure by Fund:

Prepared by: K. Kingman

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HCA Fiscal Note

Bill Number: 5203-SE AMH HCW H1376.1

HCA Request #: 21-128

Expenditures			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
FundNumber	FundDesc	FundType	FY1	FY2	FY3	FY4	FY5	FY6
001	GF-State	1	1,303,000	285,000	285,000	285,000	285,000	285,000
Total			1,303,000	285,000	285,000	285,000	285,000	285,000
Biennial Total				1,588,000		570,000		570,000

HCA's Expenditure by Object:

Objects	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
A Salaries & Wages	191,000	191,000	191,000	191,000	191,000	191,000
B Employee Benefits	64,000	64,000	64,000	64,000	64,000	64,000
C Personal Serv Contr	1,000,000	-	-	-	-	-
E Goods and Services	26,000	26,000	26,000	26,000	26,000	26,000
G Travel	2,000	2,000	2,000	2,000	2,000	2,000
J Capital Outlays	20,000	2,000	2,000	2,000	2,000	2,000
Total	1,303,000	285,000	285,000	285,000	285,000	285,000

HCA's Expenditure by FTE:

Job title	Salary	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
WMS BAND 2	92,859	1.0	1.0	1.0	1.0	1.0	1.0
Operations Research Specialist	97,872	1.0	1.0	1.0	1.0	1.0	1.0
Total	190,731	2.0	2.0	2.0	2.0	2.0	2.0

Medicaid (Apple Health)

No fiscal impact.

This bill amends rules for the prescription drug consortium with no Medicaid/Medical Assistance interactions.

PEBB and SEBB

No fiscal impact.

This bill requires that state purchased health care programs, including the Uniform Medical Plan (UMP) offered by Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) programs, purchase generic prescription drugs through this partnership, unless the state purchase health care program can obtain the generic prescription drug at a cost savings through another mechanism. There is no additional benefit cost to UMP because the plan will purchase generic prescriptions from the least expensive means. At this time, HCA cannot assume there would be benefits cost savings in the UMP because it is unknown if any generic prescriptions might be obtainable at a lesser expense compared to the current bulk purchasing of drugs for the PEBB and SEBB Programs through the Northwest Prescription Drug Consortium program; net savings may be possible depending on the specific drug classes and availability procured under the authority provided in this bill.

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5203 E S SB 5203-S.E AMH HCW h1376.1	Title: Generic prescription drugs
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Part I: Jurisdiction

Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:
 Counties:
 Special Districts:
 Specific jurisdictions only:
 Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
 Expenditures represent one-time costs:
 Legislation provides local option: Local option for local governments to purchase the generic prescription drugs from the HCA as available quantities allow.
 Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Rebecca Duncan	Phone: 360-725-5040	Date: 03/31/2021
Leg. Committee Contact: Kim Weidenaar	Phone: 360-786-7120	Date: 03/24/2021
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 03/31/2021
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 04/02/2021

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government .

CHANGES FROM PRIOR BILL VERSION

The new bill version would make the following changes:

- (1) Define "purchase" as the acquisition of generic drugs and insulin , which is to be interpreted broadly and includes entering into contracts with manufacturers on behalf of those dispensing drugs and other innovative purchasing strategies to help increase access for Washington citizens to the best price available for insulin and generic prescription drugs .
- (2) Specify that partnership agreements with other governmental entities are exempt from competitive solicitation agreements under current law.
- (3) Replace the requirement that the Health Care Authority (HCA) may only enter into partnerships with nongovernmental entities after a competitive bidding process with a requirement that the HCA must comply with state procurement laws when purchasing or entering into purchasing agreements with nongovernmental entities .

These changes would have no fiscal impact on local governments .

SUMMARY OF CURRENT BILL VERSION:

This bill would allow the Health Care Authority (HCA) to enter into partnerships with other states , state agencies, or nonprofit entities to produce, distribute, or purchase generic prescription drugs . The bill would also require the Health Care Authority (HCA) to conduct a competitive bidding process before entering into a partnership with a nongovernmental entity , and would require state purchased health care programs to purchase generic drugs through the partnership . Furthermore, section 1 of the bill would provide the option for local governments, private entities, health carriers, and others to purchase the generic prescription drugs from the HCA as available quantities allow.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments , identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

The bill would have no expenditure impacts.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments , identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

The bill would have no revenue impacts.