

# FISCAL NOTE

Requested by Legislative Council  
01/19/2005

Bill/Resolution No.: SB 2284

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$4,118,807	\$0	\$5,693,813
<b>Expenditures</b>	\$0	\$0	\$2,231,917	\$4,118,807	\$3,553,584	\$5,693,813
<b>Appropriations</b>	\$0	\$0	\$507,727	\$930,775	\$0	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill would create and enact a new section to NDCC chapter 50-24.6 relating to a medical assistance preferred drug list; it would amend and reenact section 50-24.6-01, subsection 2 of section 50-24.6-02, and sections 50-24.6-03, 50-24.6-05, and 50-24.6-07 of the NDCC relating to medical assistance drug use review; and would repeal section 50-24.6-04 of the NDCC relating to the medical assistance prior authorization program.

There are three areas of fiscal impact of this bill. Section 7 of the bill repeals the prior authorization program. Section 5.2 would require that the department remove existing limits on prescription drugs used to treat mental illness; and the last sentence of Section 5.2 would require the department to continue the psychiatric pharmacy program study of current prescribing practices and scientific efficacy of drugs prescribed for the treatment of mental illness.

The appropriation authority relates to the agency's regular appropriation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Removing the limitations of certain prescription drugs would result in \$921,335 of additional federal title XIX revenue at FMAP rates for 2005-2007 and \$1,091,983 for 2007-2009

Continuing the psychiatric pharmacy program study would result in federal title XIX revenue at the 50% administration rate; revenue would total \$256,440 for 2005-2007 and \$264,184 for 2007-2009.

Repealing prior authorization would result in removing \$550,000 of title XIX revenue at the 50% administration rate for 2005-2007. However the PDL contract would allow the department to draw down federal funds at the 50% administration rate; this amounts to \$303,000 in 2005-2007 and \$315,241 in 2007-2009. Additionally repealing prior authorization would eliminate prescription drug savings caused by prior authorization resulting in higher drug costs. At FMAP for 2005-07 additional federal title XIX revenue would be received in the amount of \$3,188,032; for 2007-2009 \$4,022,404

could be received in title XIX funds.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Expenditures in the operating line for 2005-2007 would be reduced by \$1,100,000 as a result of eliminating the prior authorization contract; 50% or \$550,000 of that amount is general funds. The PDL contract that would replace the prior authorization contract would offset those savings by \$606,000 in 2005-2007 (\$303,000 general funds) and \$630,482 in 2007-2009 (\$315,241 general funds). Repealing prior authorization would conversely increase medical assistance grants expenditures since prescription drug costs would increase; for 2005-2007 this would mean an increase of \$4,912,222 (\$1,724,190 general funds); for 2007-2009 expenditures would increase \$6,361,544 (\$2,339,140 general funds).

Operating expenditures would increase as a result of taking over responsibility for the psychiatric pharmacy program study which is currently funded by an outside party. The cost of this study for 2005-07 would be \$512,880 (\$256,440 general funds); for 2007-2009 the cost would be \$528,369 (\$264,184 general funds).

Medical assistance grants expenditures would need to increase as a result of removing limits on drugs used to treat mental illness. For 2005-07 expenditures would increase \$1,419,622 of which \$498,287 is general funds after applying FMAP; for 2007-09 expenditures would increase \$1,727,002 of which \$635,019 after FMAP.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Operating line appropriations for 2005-2007 would be reduced by \$1,100,000 as a result of repealing prior authorization; 50% or \$550,000 of that amount is general funds. The PDL contract that would replace the prior authorization contract would offset those savings by \$606,000 in 2005-2007 (\$303,000 general funds) and \$630,482 in 2007-2009 (\$315,241 general funds).

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**Agency:** Human Services  
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