

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. **Bill Number:** HB1348

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** LeVere Bolling

3. **Committee:** Health and Human Services

4. **Title:** Department of General Services; Office of Pharmaceutical Services; report.

5. **Summary:** Establishes in the Department of General Services Office of Pharmaceutical Services to develop and execute a plan to consolidate state agency prescription drug purchasing and pharmacy benefit management programs to increase efficiency in prescription drug purchasing and constrain spending on prescription drugs. The bill directs the Department to provide to the Governor and the General Assembly an interim report on the development of the plan by November 1, 2024, and a final report on the plan by November 1, 2025.

6. **Budget Amendment Necessary:** See item 8.

7. **Fiscal Impact Estimates:** Preliminary—indeterminate, see item 8

8. **Fiscal Implications:** The Department of General Services (DGS) may require funding to establish the Office of Pharmaceutical Services as directed in the bill. DGS will not be able to staff the Office with any FTEs in time to complete the interim report. Therefore, DGS indicates up to \$600,000 may be needed to contract with a consultant in order to complete the interim report to the Governor and the General Assembly by November 1, 2024. The cost estimate for the consultant was derived by DGS from recent consulting projects with comparable work.

The Department may need three general fund FTE staff (Procurement Officer III/Procurement Manager II) at a cost of up to \$368,000 for the office to be able to complete the final report on the plan by November 1, 2025. The below chart is an itemized breakdown of costs for each FTE. Based on the results of the plan, there may be additional fiscal impacts to DGS and other affected agencies.

Base Salary with 2% COLA each year	\$80,000.00
Benefits	\$ 32,000.00
Rent 180*18.70 180*16.78	\$ 3,366.00
Furniture (VCE desk and L shape	\$ 2,837.94
Mobile Phone, Computer, Mouse, keyboard, monit	\$ 917.28
VITA Continual Changes	\$ 2,902.00
Overhead (10% less benefits)	\$ 900.23
Annual Cost	\$122,923.45
Number of Positions	3
	\$368,770.36

For the Department of Medical Assistance Services (DMAS), the impact of these provisions is unclear. Should the proposal be interpreted to only require the development of a plan, then it is assumed that DMAS would need \$250,000 (\$125,000 general fund) to procure specialized expertise to develop medical assistance cost estimates for the Office. However, should the bill require the Office to execute a plan that includes the transition of all medical assistance services pharmacy service to fee-for-service then the potential fiscal impact on DMAS and agency administered programs would be significant. There is insufficient data available to determine the actual magnitude of costs or the potential for savings.

- 9. Specific Agency or Political Subdivisions Affected:** Department of General Services and agencies that have a need for Pharmaceutical Services and Drugs (Virginia Department of Corrections, Department of Behavioral Health and Disability Services, Virginia Department of Health, and Department of Medical Assistance Services).

The Secretary of Administration, Secretary of Public Safety, and Secretary of Health and Human Resources may be asked to “provide support” in developing the plan.

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** This bill is identical to SB122.