

## Department of Planning and Budget 2023 Fiscal Impact Statement

1. **Bill Number:** HB1731

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

2. **Patron:** VanValkenburg

3. **Committee:** General Laws

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

5. **Summary:** Establishes in the Department of General Services an 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, 2023, and a final report on the plan by November 1, 2024.

6. **Budget Amendment Necessary:** Yes – see item 8

7. **Fiscal Impact Estimates:** Preliminary - See item 8

8. **Fiscal Implications:** The Department of General Services will need additional funding to establish the new Office of Pharmaceutical Services. The initial fiscal impact for FY 2024 includes staffing an office of 3 FTE and other associated expenses at cost of approximately \$500,000 (general fund). In addition, \$600,000 (general fund) will be needed in FY 2024 to contract with a consultant in order to assist in the completion of the interim report to the Governor and the General Assembly by November 1, 2023. The Department of General Services indicates that up to \$1 million may be needed annually in future years to continue the operations of the new office.

The bill requires that the plan developed and executed by the Office of Pharmaceutical Services include a provision to develop a plan for transitioning all pharmacy services provided through the Commonwealth's program of medical assistance services administered by the Department of Medical Assistance Services to fee-for-service benefits.

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 the Department of Medical Assistance Services 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:** None