

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0281-01  
Bill No.: HB 59  
Subject: Economic Development Dept.; Licenses - Professional; Pharmacy  
Type: Original  
Date: February 11, 2005

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                |                |                |
|-----------------------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED                                                         | FY 2006        | FY 2007        | FY 2008        |
| General Revenue                                                       | Unknown        | Unknown        | Unknown        |
|                                                                       |                |                |                |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>Unknown</b> | <b>Unknown</b> | <b>Unknown</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |            |                   |                    |
|-----------------------------------------------------------------------|------------|-------------------|--------------------|
| FUND AFFECTED                                                         | FY 2006    | FY 2007           | FY 2008            |
| Board of Pharmacy                                                     | \$0        | (\$26,604)        | (\$134,689)        |
|                                                                       |            |                   |                    |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b> | <b>(\$26,604)</b> | <b>(\$134,689)</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---------------------------------------------------------------|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                          | <b>FY 2006</b> | <b>FY 2007</b> | <b>FY 2008</b> |
|                                                               |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--------------------------------------------|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2006</b> | <b>FY 2007</b> | <b>FY 2008</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Social Services** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Mental Health (DMH)** state it is possible this proposal would result in an unknown amount of savings to the DMH since the Division of Comprehensive Psychiatric Services currently allocates funds to its community mental health centers for the purchase of psychiatric medications through local pharmacies. Some of these medications may be available more cheaply through Canadian pharmacies. The amount of savings is unknown since it is not possible to predict how many local providers or clients would avail themselves to the use of Canadian pharmacies.

Officials from the **Department of Economic Development - Division of Professional Registration (DED-PR)** provide the following assumptions related to this proposal:

According to the National Association of Pharmacy Regulatory Authorities' national statistics, as of January 1, 2004, there are 7,731 accredited pharmacies in Canada. It is estimated that two (2%) of the total accredited pharmacies in Canada will seek licensure in Missouri or 154 pharmacies. The DED-PR assumes a fee of \$400 will be paid by Canadian pharmacies for licensure with biennial renewal. The DED-PR estimates a 3% growth rate and assumes licensure

ASSUMPTION (continued)

begins in FY 07, resulting in revenue to the Board of Pharmacy Fund of \$61,600 in FY 07. Revenues for FY 08 are estimated to be \$1,000.

The fee is based on the current fee for all pharmacies licensed by the State of Missouri. Due to specific costs associated with the licensure and regulation of Canadian pharmacies, it may be necessary to set the fee higher to cover costs.

The DED-PR assumes all fees collected and all expenses would be deposited into and paid out of the Board of Pharmacy Fund.

The DED-PR assumes implementation of the proposal will require hiring an additional 0.5 FTE Licensure Technician II (0.5 FTE at \$26,292) to process all information for Canadian pharmacy applications, renewals, and complaints. This will include processing new applications, biennial renewals, change of ownership, change of locations, change of names, pharmacist-in-charge changes, out-of-business notifications, processing inspection information, and assignment, tracking, and processing complaints and investigation reports. The DED-PR assumes rental space will be needed for this additional FTE at an annual cost of approximately \$1,385.

The DED-PR anticipates it will be necessary for a contract to be secured with an outside agency/individual to conduct the necessary visits, inspections, and investigations of Canadian pharmacies. The DED-PR estimates a contract rate of \$100 per hour. Approximately half of the Canadian pharmacies will require one visit per year at about three (3) hours per visit and approximately half of the pharmacies will require two visits per year at four (4) hours per visit. The DED-PR estimates contract costs of \$84,700 per year beginning in FY 07.

The DED-PR assumes 8 “problem” pharmacies will be forwarded to the Attorney General’s Office (AGO) for further action. The DED-PR assumes there will be a cost associated with needing the services of the AGO. Assuming \$5,400 cost per case, the DED-PR estimates \$43,200 (\$5,400 X 8 cases) annually beginning in FY 08.

The DED-PR assumes printing and postage costs will be incurred in the first year for statute and rule mailings and for startup printing of rules, applications, letterhead and envelopes. The DED-PR estimates printing and postage costs at \$6.25 per licensee in the first year, for a total cost of \$963. Subsequent years’ printing and postage costs are expected to be absorbable.

For fiscal note purposes only, **Oversight** assumes the following:

1) The DED-PR will not employ 0.5 FTE Licensure Technician II and will assign the duties involved with Canadian pharmacy licensure to existing staff.

ASSUMPTION (continued)

2) Rental space will not be required for one part time FTE. Additional furniture and equipment will not be required for the 0.5 FTE position.

Officials from the **Office of Attorney General (AGO)** state the proposal creates additional category of licensees within the Division of Professional Registration. The Board of Pharmacy has the power to license pharmacies in Canada. Based on an evaluation of Canadian licensure or permitting, the AGO assumes it would need 0.5 Assistant Attorney General I (AAG I) to assist the Board in the rule-making process, licensing, and investigating matters, and appearances before the Administrative Hearing Commission. The AGO estimates FY 06 costs of \$27,890; FY 07 costs of \$33,569; and FY 08 costs of \$34,458.

**Oversight** assumes the AGO would not hire 0.5 FTE AAG I and costs incurred by the AGO's office will be reimbursed by the Board of Pharmacy.

Officials from the **Office of Secretary of State (SOS)** state the proposal permits the Board of Pharmacy to issue licenses and permits to Canadian pharmacies. Based on experience with other divisions, the rules, regulations and forms issued by the State Board of Pharmacy would require approximately 6 pages in the Code of State Regulations. For any given rule, roughly one-half again as many pages are published in the Missouri Register as are published in the Code because of cost statements, fiscal notes and notices that are not published in the Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, and withdrawn. The SOS estimates the cost of the proposal to be \$369 [(6 pgs. X \$27) + (9 pgs. X \$23)] for FY 06.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

**This proposal will result in an increase in total state revenue.**

| <u>FISCAL IMPACT - State Government</u>                    | FY 2006<br>(10 Mo.)   | FY 2007                  | FY 2008                   |
|------------------------------------------------------------|-----------------------|--------------------------|---------------------------|
| <b>GENERAL REVENUE FUND</b>                                |                       |                          |                           |
| <u>Savings - Department of Mental Health</u>               |                       |                          |                           |
| Prescription drug cost savings                             | <u>Unknown</u>        | <u>Unknown</u>           | <u>Unknown</u>            |
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b>    | <u><b>Unknown</b></u> | <u><b>Unknown</b></u>    | <u><b>Unknown</b></u>     |
| <b>BOARD OF PHARMACY FUND</b>                              |                       |                          |                           |
| <u>Income - Department of Economic<br/>Development</u>     |                       |                          |                           |
| Licensure fees                                             | \$0                   | \$61,600                 | \$1,000                   |
| <u>Costs - Department of Economic<br/>Development</u>      |                       |                          |                           |
| Contract costs and other expenses                          | \$0                   | (\$88,204)               | (\$89,858)                |
| AGO costs                                                  | <u>\$0</u>            | <u>\$0</u>               | <u>(\$45,831)</u>         |
| Total <u>Costs</u> - Department of Economic<br>Development | <u>\$0</u>            | <u>(\$88,204)</u>        | <u>(\$135,689)</u>        |
| <b>ESTIMATED NET EFFECT ON<br/>BOARD OF PHARMACY FUND</b>  | <u><b>\$0</b></u>     | <u><b>(\$26,604)</b></u> | <u><b>(\$134,689)</b></u> |
| <u>FISCAL IMPACT - Local Government</u>                    | FY 2006<br>(10 Mo.)   | FY 2007                  | FY 2008                   |
|                                                            | <u><b>\$0</b></u>     | <u><b>\$0</b></u>        | <u><b>\$0</b></u>         |

FISCAL IMPACT - Small Business

The proposal could impact small business pharmacies.

DESCRIPTION

This proposal allows pharmacies located in Canada to be issued a license or permit by the Missouri State Board of Pharmacy. Canadian pharmacies applying for licensure in Missouri

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DESCRIPTION (continued)

must maintain a valid license, permit, or registration to operate a pharmacy under the laws of the province in which the pharmacy is located. Canadian pharmacies that obtain a license or permit must comply with the board's rules and regulations when dispensing medications to residents of Missouri. The board is required to promulgate rules establishing standards and procedures for the licensure of Canadian pharmacies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General  
Department of Economic Development -  
Division of Professional Registration  
Department of Mental Health  
Department of Social Services  
Office of Secretary of State



Mickey Wilson, CPA  
Director  
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