

Greenbook
LSC Analysis of Enacted Budget

State Board of Pharmacy

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ATTACHMENT:

Budget Spreadsheet By Line Item

State Board of Pharmacy

- Funding increased for regulation, medical marijuana control, and prescription monitoring programs
- Licensing fees likely to generate significant revenue gain over biennium
- \$4.2 million appropriated for OARRS integration initiative

OVERVIEW

Duties and Responsibilities

The State Board of Pharmacy is responsible for administering and enforcing the Pharmacy Practice Act and Dangerous Drug Distribution Act (R.C. Chapter 4729.), the Controlled Substances Act (R.C. Chapter 3719.), the Pure Food and Drug Act (R.C. Chapter 3715.), the Criminal Drug Law (R.C. Chapter 2925.), and the Medical Marijuana Control Program (R.C. Chapter 3796.). The services and activities that the Board performs to fulfill those responsibilities can be divided into three distinct programs as follows:

- **Regulation.** Licensing and monitoring of pharmacists, pharmacy interns, and terminal and wholesale distributors, and enforcing criminal drug laws.
- **Prescription Monitoring.** Maintaining the Ohio Automated Rx Reporting System (OARRS), an electronic database that collects information on all prescriptions for controlled substances that are dispensed by pharmacies or furnished by prescribers in Ohio.
- **Medical Marijuana Control.** Licensing of medical marijuana distributors and registration of medical marijuana patients and caregivers.

Appropriation Overview

The Board's FY 2017 expenditures are compared with the appropriations for FY 2018 and FY 2019, by fund group, in Table 1 below.

Fund Group	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
Dedicated Purpose	\$8,122,329	\$10,265,914	26.4%	\$10,402,587	1.3%
Federal	\$164,812	\$2,100,001	1,174.2%	\$2,450,000	16.7%
TOTAL	\$8,287,141	\$12,365,915	49.2%	\$12,852,587	3.9%

*FY 2017 figures represent actual expenditures.

For FY 2018, the Board's budget appropriations total \$12,365,915, an increase of \$4,078,774, or 49.2%, from FY 2017 total expenditures of \$8,287,141. The FY 2019 appropriations total \$12,852,587, an increase of \$486,672, or 3.9%, from the FY 2018 total appropriation. As Table 1 above shows, for the Board's two budget fund groups, there are notable differences between their respective total FY 2017 expenditures and total FY 2018 appropriations as follows:

- In FY 2018, the Dedicated Purpose Fund Group total increases by \$2.1 million, or 26.4%, reflecting largely the required licensing of an estimated 42,000 pharmacy technicians, and the ongoing implementation of the Medical Marijuana Control Program.
- In FY 2018, the Federal Fund Group total increases by \$1.9 million, from under \$165,000 in FY 2017 to \$2.1 million largely due to anticipated funding for an OARRS integration initiative.

Funding Allocation by Program

Table 2 below displays the manner in which the Board has, or will, allocate its available funding between its Regulation, Prescription Monitoring, Medical Marijuana Control, and Home Medical Equipment Regulation programs from FYs 2016-2019. The requirement that the Board administer, along with the Department of Commerce, the Medical Marijuana Program became effective September 8, 2016. The Home Medical Equipment Regulation Program reflects the transfer regulation of home medical equipment service providers from the Respiratory Care Board effective January 21, 2018.

Program	FY 2016	FY 2017	FY 2018*	FY 2019*
Regulation	\$5,735,992	\$6,768,706	\$7,906,865	\$7,913,176
Prescription Monitoring	\$916,228	\$955,311	\$2,943,898	\$3,440,809
Medical Marijuana	\$0	\$563,124	\$1,455,700	\$1,335,200
Home Medical Equipment Regulation	\$0	\$0	\$59,452	\$163,402
TOTAL	\$6,652,220	\$8,287,141	\$12,365,915	\$12,852,587

*FYs 2018-2019 are estimates.

Personnel

The Board is a nine-member panel composed of eight pharmacists and one person representing the public who is at least 60 years old. Each member serves a four-year term and may be reappointed one time at the Governor's discretion. The Board currently meets once a month over a three-day consecutive period.

In addition to the nine Board members, an estimated 68 full-time equivalent (FTE) staff are currently employed to perform regulation, prescription monitoring, and Medical Marijuana Control Program activities. Over the course of the FY 2018-FY 2019

biennium, the Board plans to add a total of 17 FTEs across two of its program areas: Regulation and Medical Marijuana Control.

The 14-member Medical Marijuana Advisory Committee was established as part of the Medical Marijuana Control Program. It is authorized to develop and submit to the Department of Commerce, Board of Pharmacy, and Medical Board any recommendations related to the program.¹ Each member receives a per diem compensation set by the Director of Administrative Services, as well as actual and necessary travel expenses in connection with committee meetings and business.

As part of the transfer of home medical equipment service provider licensure from the Respiratory Care Board, the budget requires the State Board of Pharmacy to appoint a home medical equipment services advisory council of not more than seven individuals to advise the Board on issues relating to providing home medical equipment services. Initial appointments must be made not later than April 21, 2018. With approval from the Director of Administrative Services, each member of the advisory council may receive a per diem for each day the member performs the member's official duties and be reimbursed for actual and necessary expenses incurred in performing those duties.

OARRS

Ohio's prescription monitoring program, known as OARRS, was established to monitor the misuse and diversion of controlled substances and certain dangerous drugs. The Board established OARRS to collect information on all prescriptions for controlled substances that are issued by licensed prescribers and dispensed by pharmacies in Ohio. Information collected in the database is used by law enforcement authorities to investigate and enforce drug control laws. The program began full operation in October 2006.

In calendar year 2015, the database collected more than 24 million prescription records.² This number has steadily increased over the years. Currently, there are 76,000 users: 54,720 prescribers or prescriber delegates (72%), 16,720 pharmacists (22%), and 4,560 law enforcement (6%). The total number of prescription reports requested annually has increased substantially. From 2009 to 2016, the total number of reports requested increased by more than 3,100%. Just under 16.5 million reports were requested in 2016.

¹ The Committee ceases to exist October 8, 2021.

² Records are deleted daily so that only two years of data is in the database at any one time.

Integration Initiative

The OARRS integration initiative refers to an effort under the State Medicaid Health Information Technology Plan to integrate OARRS directly into electronic medical records and pharmacy dispensing systems across the state. The Board anticipates receipt of grant funding through a proposal submitted to the U.S. Centers for Medicare and Medicaid Services by the Ohio Department of Medicaid. To fund the initiative, the FY 2018-FY 2019 biennial budget appropriates federal funding totaling \$3.8 million plus \$385,000 in required state matching funds. The anticipated funding will be used to cover: (1) purchased contract services, (2) implementation of software to allow for reporting of patient red flags, such as drug abuse risk factors, to enhance clinical decision making and (3) payroll expenses.

Licensure

The budget makes numerous changes, summarized briefly below, to the Board's existing licensure process for pharmacists, pharmacy technicians, and terminal and wholesale distributors of dangerous drugs, including adjusting licensing renewal schedules and related fees. Based on the current number of licenses, the fee changes will increase revenue by up to \$4.0 million or more biennially, estimated as follows: (1) \$2.1 million, or 52.5%, from terminal distributors, (2) \$1.1 million, or 27.5%, from registered pharmacists, (3) \$763,000, or 19.1%, from wholesale distributors, and (4) \$76,600, or 1.9%, from veterinary facilities.

Pharmacists and Pharmacy Interns

- Replaces annual licensure of pharmacists and pharmacy interns with a period to be specified in rules adopted by the Board (period cannot exceed 24 months unless the Board extends it in rule to adjust license renewal schedules).
- Adjusts the license renewal fees for pharmacists and pharmacy interns to account for biennial registration, and also increases the fees.

Terminal and Wholesale Distributors of Dangerous Drugs

- Eliminates category I and limited category I licensure for terminal distributors of dangerous drugs.
- Changes the existing registration requirement for wholesale distributors of dangerous drugs into a license requirement with new licensure distinctions created according to the activities being performed (manufacturers, outsourcing facilities, third-party logistics providers, repackagers, and wholesale distributors).
- Specifies that licenses for terminal distributors, manufacturers, outsourcing facilities, third-party logistics providers, repackagers, and

wholesale distributors are valid for a period specified in rules, and that the period cannot exceed 24 months unless the Board extends it in rules to adjust license renewal schedules (current law that specifies licenses are valid for 12 months).

- Adjusts license renewal fees to account for biennial registration, and also increases the fees.

Home Medical Equipment Service Providers

Effective January 21, 2018, the budget transfers home medical service provider licensing and registration functions currently performed by the Respiratory Care Board to the Board of Pharmacy. At the end of FY 2016, the Respiratory Care Board reported a total of 678 active licensed or registered home medical equipment service providers.

The Respiratory Care Board issues the following two types of credentials for home medical equipment service providers: (1) a certificate of registration for nationally accredited facilities that offer qualifying home medical equipment (\$150 initial fee/\$300 renewal), and (2) a license for facilities that offer qualifying home medical equipment that meet the standards for licensing adopted by the Board (\$300 initial fee/\$400 renewal). The Respiratory Care Board operates on a biennial renewal cycle.

Pharmacy Technician Registration

S.B. 319, enacted by the 131st General Assembly, establishes a system of registration for two kinds of pharmacy technicians (registered pharmacy technicians and certified pharmacy technicians) and pharmacy technician trainees. This registration requirement becomes effective April 6, 2018. The Board estimates that it will process 42,000 initial pharmacy technician applications over the biennium, which would result in additional revenue of \$2.3 million for initial applications and, assuming a similar number of renewals, an additional \$1.1 million in revenue from registration renewals of the initial registrants.

ANALYSIS OF ENACTED BUDGET

The table below shows the line items that will be used to fund the Board of Pharmacy, as well as the appropriated funding levels. It is then followed by a narrative describing how each appropriated amount will be used, and as appropriate, the implications of the appropriations.

Appropriations for the State Board of Pharmacy				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund (DPF) Group				
4A50	887605	Drug Law Enforcement	\$150,000	\$150,000
4K90	658605	OARRS Integration – State	\$175,000	\$210,000
4K90	887609	Operating Expenses	\$8,285,214	\$8,507,387
5SG0	887612	Drug Database	\$200,000	\$200,000
5SY0	887613	Medical Marijuana Control Program	\$1,455,700	\$1,335,200
Dedicated Purpose Fund Group Subtotal			\$10,265,914	\$10,402,587
Federal Fund (FED) Group				
3EB0	887608	2008 Developing/Enhancing PMP	\$50,000	\$0
3HD0	887614	Pharmacy Federal Grants	\$350,001	\$350,000
3HH0	658601	OARRS Integration – Federal	\$1,700,000	\$2,100,000
Federal Fund Group Subtotal			\$2,100,001	\$2,450,000
Total Funding: State Board of Pharmacy			\$12,365,915	\$12,852,587

Drug Law Enforcement (DPF line item 887605)

This line item draws its appropriations from the Board's share of certain fines and forfeited bonds and bail collected as a result of its drug law enforcement efforts (Fund 4A50). It is used to pay expenses that the Board incurs in the enforcement of criminal drug laws, including providing training, education, and equipment for investigative staff. For this purpose, the budget appropriates \$150,000 in each of FYs 2018 and 2019. Roughly 70% of each year's appropriation is expected to be allocated for personal services (wages, salaries, fringe benefits, and payroll checkoff charges); the remainder more or less for supplies and maintenance.

OARRS Integration – State (DPF line Item 658605)

This new line item, which draws its appropriations from fees and fines credited to Fund 4K90, provides the required state match to be used, in combination with federal money appropriated to line item 658601, OARRS Integration – Federal, to fund the previously noted OARRS integration initiative. The amount appropriated for this state match purpose is \$175,000 in FY 2018, and \$210,000 in FY 2019.

Operating Expenses (DPF line item 887609)

This line item, which draws its appropriations from fees and fines credited to Fund 4K90, is used by the Board to administer and enforce laws governing the legal distribution of dangerous drugs and the practice of pharmacy. The appropriation for this line item is \$8,285,214 for FY 2018, an increase of \$888,385, or 12.0%, from FY 2017 expenditures of \$7,396,829. For FY 2019, the budget appropriates \$8,507,387, an increase of \$222,173, or 2.7%, over the FY 2018 appropriation. Roughly 80%, or \$7.0 million, in each fiscal year is expected to be allocated for personal services (wages, salaries, fringe benefits, and payroll checkoff charges); the remainder largely for supplies and maintenance.

Under the budget, each year's appropriation is expected to be allocated more or less across three of the Board's four programs as summarized in Table 3 below. Of the total appropriation in each fiscal year, approximately 90%, or \$7.8 million, is expected to be allocated for Regulation.

Program	FY 2018	FY 2019
Regulation	\$7,792,704	\$7,827,165
Prescription Monitoring	\$433,058	\$516,820
Home Medical Equipment Regulation	\$59,452	\$163,402
TOTAL	\$8,285,214	\$8,507,387

Drug Database (DPF line item 887612)

This line item is used to make improvements to, and increase the utilization of, OARRS. Currently, it is being used to implement a memorandum of understanding (MOU) between the Ohio Department of Health and the State Board of Pharmacy. Under the MOU, the former transfers federal grant money to the latter for the purposes of: (1) making certain improvements to OARRS, (2) conducting analyses of prescribing behavior and prescription overdose data, and (3) performing an evaluation study of the requirements of H.B. 341 of the 130th General Assembly.

For this purpose, the budget appropriates \$200,000 in each of FY 2018 and FY 2019, amounts that are an increase of 57.2%, or \$72,779, over FY 2017 expenditures of \$127,221. Each year's appropriation is expected to be primarily allocated for purchased personal services, and secondarily for personal services (wages, salaries, fringe benefits, and payroll checkoff charges).

Medical Marijuana Control Program (DPF line item 887613)

This line item is being used by the Board to implement H.B. 523 of the 131st General Assembly, which requires the Board and the Ohio Department of Commerce establish and administer the Medical Marijuana Control Program. The Board is

authorized to register patients and caregivers and to issue licenses to medical marijuana dispensaries.

The appropriation for this line item is \$1,455,700 for FY 2018, an increase of \$892,576, or 158.5%, from FY 2017 expenditures of \$563,124. For FY 2019, the budget appropriates of \$1,335,200, a decrease of \$120,500, or 8.3%, over the FY 2018 appropriation. In each year, roughly 90%, or \$1.3 million, is expected to be allocated for personal services (wages, salaries, fringe benefits, and payroll checkoff charges) and secondarily for purchased personal services.

The money for this purpose is appropriated from the Medical Marijuana Control Program Fund (Fund 5SY0), which consists of cash transferred from the Controlling Board's Emergency Purposes Fund (Fund 5KM0). Presumably, as the program becomes operational, the licensing and enforcement activity will generate sufficient revenue to make the program financially self-sustaining. The Board's timeline is to adopt rules by September 2017 and for the program to become operational September 2018.

Federal Funds

All of the federal money disbursed by the Board is typically for the purpose of developing, improving, and enhancing OARRS. The line items to be used for that purpose over the course of the FY 2018-FY 2019 biennium are described below.

2008 Developing/Enhancing PMP (FED line item 887608)

This line item is being used by the Board to disburse a two-year \$202,687 federal Department of Justice grant awarded for the purpose of developing a comprehensive OARRS training website for graduate healthcare schools and residency programs. The budget appropriates \$50,000 in FY 2018 for the purpose of spending down the remainder of the grant.

Pharmacy Federal Grants (FED line item 887614)

This line item currently is being used by the Board to disburse a Department of Justice grant awarded for the primary purposes of expanding OARRS access to include Ohio's drug courts and improving drug law enforcement. For these purposes, the budget appropriates \$350,001 in FY 2018 and \$350,000 in FY 2019.

OARRS Integration – Federal (FED line item 658601)

This is a new line item that will be used, in combination with line item 658605, OARRS Integration – State, to fund the previously noted OARRS integration initiative. For this purpose, the budget appropriates \$1,700,000 for FY 2018 and \$2,100,000 for FY 2019.

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
PRX State Board of Pharmacy								
4A50	887605	Drug Law Enforcement	\$ 17,644	\$ 35,155	\$ 150,000	326.68%	\$ 150,000	0.00%
4K90	658605	OARRS Integration - State	\$0	\$0	\$ 175,000	N/A	\$ 210,000	20.00%
4K90	887609	Operating Expenses	\$ 6,242,951	\$ 7,396,829	\$ 8,285,214	12.01%	\$ 8,507,387	2.68%
5SG0	887612	Drug Database	\$0	\$ 127,221	\$ 200,000	57.21%	\$ 200,000	0.00%
5SY0	887613	Medical Marijuana Control Program	\$0	\$ 563,124	\$ 1,455,700	158.50%	\$ 1,335,200	-8.28%
Dedicated Purpose Fund Group Total			\$ 6,260,596	\$ 8,122,329	\$ 10,265,914	26.39%	\$ 10,402,587	1.33%
3CT0	887606	2008 Developing/Enhancing PMP	\$ 138,486	\$ 4,564	\$ 0	-100.00%	\$ 0	N/A
3DV0	887607	Enhancing Ohio's PMP	\$ 241,991	\$0	\$ 0	N/A	\$ 0	N/A
3EB0	887608	2008 Developing/Enhancing PMP	\$ 11,147	\$ 88,189	\$ 50,000	-43.30%	\$ 0	-100.00%
3HD0	887614	Pharmacy Federal Grants	\$0	\$ 72,058	\$ 350,001	385.72%	\$ 350,000	0.00%
3HH0	658601	OARRS Integration - Federal	\$0	\$0	\$ 1,700,000	N/A	\$ 2,100,000	23.53%
Federal Fund Group Total			\$ 391,624	\$ 164,812	\$ 2,100,001	1,174.18%	\$ 2,450,000	16.67%
State Board of Pharmacy Total			\$ 6,652,220	\$ 8,287,141	\$ 12,365,915	49.22%	\$ 12,852,587	3.94%