

Redbook

LBO Analysis of Executive Budget Proposal

Ohio State Board of Pharmacy

Jeffrey E. Golon, Principal Analyst
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Attachment:

Appropriation Spreadsheet

LBO Redbook

Ohio State Board of Pharmacy

Quick look...

- The State Board of Pharmacy's (PRX) functions include licensing pharmacists, pharmacy interns, pharmacy technicians, terminal and wholesale distributors, and home medical equipment providers, and maintaining Ohio's prescription drug monitoring database.
- The Board also regulates medical marijuana dispensaries, patients, and caregivers; the executive budget proposes to transfer the Board's Medical Marijuana Control Program duties to the Department of Commerce in FY 2024.
- Total budget recommendation: \$18.6 million in FY 2024 and \$17.3 million in FY 2025.
 - Sources of the budget: state non-GRF (82.4%) and federal (17.6%).
 - The Board receives no GRF funding.

Fund Group	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
Dedicated Purpose Fund (DPF)	\$15,125,146	\$16,596,040	\$15,508,300	\$14,081,300
Federal (FED)	\$2,806,904	\$4,085,000	\$3,127,000	\$3,193,000
Total	\$17,932,050	\$20,681,040	\$18,635,300	\$17,274,300
% change	--	15.3%	-9.9%	-7.3%

Chart 1: PRX Budget by Fund Group
FY 2024-FY 2025 Biennium

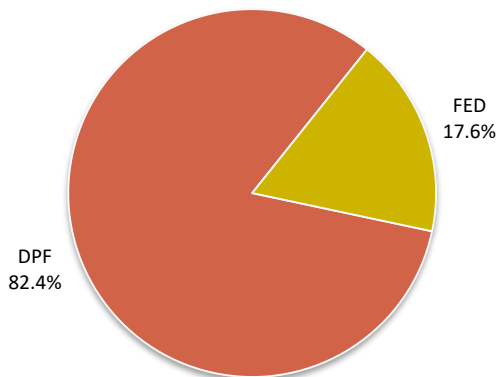
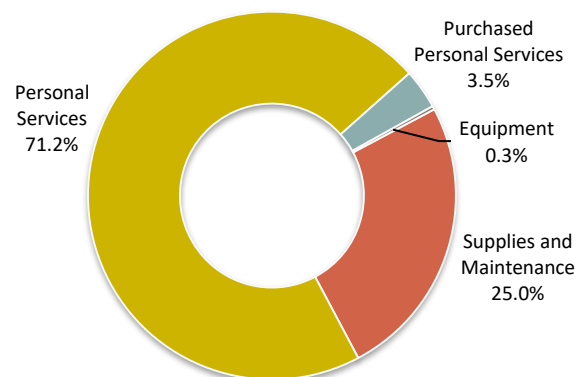


Chart 2: PRX Budget by Expense Category
FY 2024-FY 2025 Biennium



Biennial total: \$35.9 million

Agency overview

The services and activities currently performed by the State Board of Pharmacy include:

- Licensing and regulating over 100,000 pharmacists, pharmacy interns, pharmacy technicians, terminal and wholesale distributors, and certain home medical equipment providers;
- Preventing, detecting, and investigating the diversion of dangerous drugs, including controlled substances;
- Maintaining the Ohio Automated Rx Reporting System (OARRS), an electronic database that collects information on all prescriptions for controlled substances that are issued by licensed prescribers and dispensed by pharmacies in Ohio; and
- Licensing medical marijuana dispensaries and registering medical marijuana patients and caregivers as part of the Medical Marijuana Control Program (MMCP).

The Board consists of nine members, eight pharmacists and one member of the public who is at least 60 years old, all of whom are appointed by the Governor. Each member serves a four-year term and may be reappointed one time at the Governor's discretion. The members are paid per hour when employed in the discharge of their official duties and are reimbursed for their necessary expenses while engaged therein.

The Board's duties are currently carried out by 100 permanent staff positions (99 full-time and one part-time). The executive budget proposes to transfer most of the Board's MMCP duties to the Department of Commerce during FY 2024, which will eliminate 12 (11 full-time and one part-time) staff positions currently assigned to the MMCP and effectively reduce the total number of full-time permanent staff positions to 88.

Appropriation summary

The executive budget provides the Board with a total appropriation of \$18.6 million in FY 2024 and \$17.3 million in FY 2025. The table and Chart 1 shown in the preceding **"Quick look"** section present the executive recommended appropriations by fund group. As shown in Chart 1, state non-GRF accounts for 82.4% of the Board's budget during the biennium followed by federal funding (17.6%). The Board receives no GRF funding.

Chart 2 on the **"Quick look"** section shows the total executive recommended biennial appropriations by object of expense. Of the total biennial appropriation recommendation, 71.2%, or \$25.6 million, is allocated for personal services (payroll), followed by supplies and maintenance (25.0%, or \$9.0 million), purchased personal services (3.5%, or \$1.3 million), and equipment (0.3%, or \$100,000).

Analysis of FY 2024-FY 2025 budget proposal

Currently, boards and commissions using the eLicense system administered by the Department of Administrative Services (DAS) reimburse DAS for the related costs via intrastate transfer voucher (ISTV). To do so, the State Board of Pharmacy needs funds to be appropriated for that purpose. Beginning in FY 2024, DAS will pay these expenses from new line item 100673, Ohio Professionals Licensing System. This line item will draw on money appropriated from

Fund 4K90, which consists primarily of fees collected by 19 professional licensing boards and commissions. Thus, starting with FY 2024, the Board will no longer need money appropriated to pay for its use of the eLicense system.

For the purpose of funding the Board's operations during the FY 2024-FY 2025 biennium, the executive budget appropriates money to the nine appropriation line items (ALIs) described below, including the purpose(s) and revenue source(s) of their respective appropriations.

Drug Law Enforcement (ALI 887605)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
DPF Fund 4A50 ALI 887605, Drug Law Enforcement					
\$76,273	\$14,173	\$0	\$50,000	\$50,000	\$50,000
% change	-81.4%	-100.0%	N/A	0.0%	0.0%

This line item pays for expenses that the Board incurs in the enforcement of criminal drug laws, generally training, education, or equipment for investigative staff. It is not typically used for routine operating costs (e.g., staff payroll).

The line item's funds are appropriated from the Board of Pharmacy Drug Law Enforcement Fund (Fund 4A50), which consists of the Board's share of certain fines and forfeited bonds and bail resulting from its participation in the investigation and prosecution of drug law violations. Those revenue sources are nonrecurring and unpredictable. For example, revenues totaled \$500 in FY 2020, \$29,526 in FY 2021, and \$55,362 in FY 2022. The fund's FY 2022 ending cash balance was \$532,265.

Operating Expenses (ALI 887609)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
DPF Fund 4K90 ALI 887609, Operating Expenses					
\$9,266,655	\$9,890,489	\$11,728,118	\$12,542,828	\$12,785,300	\$13,439,300
% change	6.7%	18.6%	6.9%	1.9%	5.1%

This line item, which draws its appropriation from fees and fines credited to the Occupational Licensing and Regulatory Fund (Fund 4K90), is used by the Board to administer and enforce laws governing the legal distribution of dangerous drugs, the practice of pharmacy, and the activities of home medical equipment service providers.

The line item is primarily used to pay for personal services and secondarily supplies and maintenance. Over the last few fiscal years on average, the line item has been used to pay for about 75% of the Board's total annual personal services expenses.

Drug Database (ALI 887612)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
DPF Fund 5SG0 ALI 887612, Drug Database					
\$445,584	\$128,912	\$84,950	\$100,000	\$100,000	\$100,000
% change	-71.1%	-34.1%	17.7%	0.0%	0.0%

This line item is used to pay for operating expenses that the Board incurs to make improvements to, and increase the utilization of the Ohio Automated Rx Reporting System (OARRS). Its funding is appropriated from the Drugs Database Fund (Fund 5SG0), which consists of grants, gifts, or donations received to maintain and enhance OARRS. These revenue sources are unpredictable.

The executive budget contains a temporary law provision that permits, in each fiscal year and upon request of the Board's Executive Director, the Director of Commerce to certify to the Director of Budget and Management an amount determined by the Director of Commerce to assist with the operation of OARRS, and upon certification, permits the Director of Budget and Management to transfer that amount in cash from the Medical Marijuana Control Program Fund (Fund 5YS0) to Fund 5SG0.

Since FY 2016, Fund 5SG0, the source of this line item's appropriation, has largely consisted of federal grant money transferred to the Board as reimbursement payments for work performed under memoranda of understanding (MOUs) with the departments of Health and Mental Health and Addiction Services. The MOU with the Department of Health started in FY 2016 and expired in FY 2020. The MOU with the Department of Mental Health and Addiction Services started in FY 2019 and expired in FY 2022.

Medical Marijuana Control Program (ALI 887613)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
DPF Fund 5SY0 ALI 887613, Medical Marijuana Control Program					
\$3,166,115	\$2,358,914	\$3,061,131	\$3,309,264	\$2,081,000	\$0
% change	-25.5%	29.8%	8.1%	-37.1%	-100.0%

This line item is currently used by the Board to implement provisions enacted in H.B. 523 of the 131st General Assembly, which requires the Board and the Department of Commerce to establish and administer the Medical Marijuana Control Program (MMCP). The Board is authorized to register patients and caregivers and to issue licenses to medical marijuana dispensaries and their employees.

As already noted, the executive budget proposes to transfer most of the Board's MMCP duties to the Department of Commerce in FY 2024. As a result, the Board generally would no longer incur MMCP-related operating costs, except for continuing law that requires a retail

dispensary report to OARRS when dispensing medical marijuana. The purpose of the FY 2024 appropriation is to cover the operating costs that the Board will continue to incur until the MMCP is fully transitioned into Commerce's daily operations (expected to be completed by December 31, 2023).

Pharmacy Federal Grants (ALI 887614)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
FED Fund 3HDO ALI 887614, Pharmacy Federal Grants					
\$379,835	\$742,120	\$997,353	\$1,550,000	\$1,700,000	\$1,765,000
% change	95.4%	34.4%	55.4%	9.7%	3.8%

This line item is used by the Board to expend federal Harold Rogers Prescription Drug Monitoring Program grants awarded to the Board for the purposes of making improvements to, and increasing the use of, OARRS.

OARRS Integration (ALI 658605 and ALI 658601)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
DPF Fund 4K90 ALI 658605, OARRS Integration – State					
\$221,846	\$216,818	\$250,947	\$593,948	\$492,000	\$492,000
FED Fund 3HHO ALI 658601, OARRS Integration – Federal					
\$2,067,429	\$2,050,824	\$1,809,221	\$2,500,000	\$1,392,000	\$1,393,000
OARRS Integration Total		\$2,060,168	\$3,093,948	\$1,884,000	\$1,885,000
% change		-9.1%	50.2%	-39.1%	0.1%

The two line items above support a partnership with the Ohio Department of Medicaid that began in late 2015 as an initiative to integrate OARRS directly into electronic medical records and pharmacy dispensing systems across the state. The federal funds appropriated to line item 658601, OARRS Integration – Federal, are derived from that partnership. The Board's portion is drawn from the above line item 658605, OARRS integration – State, as well as additional funds allocated from line item 887609, Operating Expenses.

The current share is 55% federal/45% state. The federal share changes each federal fiscal year based on the proportion of Medicaid-eligible population to total served population. The components of the state's 45% share are estimated as follows: 20% from line item 658605, and 25%, or approximately \$600,000 from line item 887609.

Federal Equitable Sharing (ALI 887615 and ALI 887616)

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
FED Fund 3HM0 ALI 887615, Equitable Sharing Treasury					
\$0	\$0	\$0	\$5,000	\$5,000	\$5,000
FED Fund 3HN0 ALI 887616, Equitable Sharing Justice					
\$0	\$108,084	\$0	\$30,000	\$30,000	\$30,000
OARRS Integration Total		\$0	\$35,000	\$35,000	\$35,000
% change		-100.0%	N/A	0.0%	0.0%

The Board uses the two federal line items displayed in the above table solely for law enforcement purposes. Generally, these line items are used to purchase equipment and supplies, to provide training, and to support undercover operations.

The funds for these purposes come through the Federal Equitable Sharing Program for cases staff worked in conjunction with federal law enforcement agencies associated with the U.S. departments of Treasury (Fund 3HM0) and Justice (Fund 3HN0). Those revenue sources are nonrecurring and unpredictable. For example, recorded revenue for the two funds together totaled \$206,297 in FY 2020, \$990 in FY 2021, and \$11,375 in FY 2022. Federal guidelines expect such moneys to be expended within two to three years of receipt.

Facts & Figures

OARRS

Ohio's prescription drug monitoring program known as the Ohio Automated Rx Reporting System (OARRS) has been in operation since October 2006. It is administered by the State Board of Pharmacy to monitor the misuse and diversion of controlled substances, medical marijuana, and other dangerous drugs included pursuant to rules adopted by the Board.

OARRS collects information on: (1) outpatient prescriptions for controlled substances (and two noncontrolled drugs, gabapentin and naltrexone) dispensed by a pharmacy or personally furnished by a health care professional to an outpatient, (2) controlled substances sold by drug wholesalers to an Ohio licensed pharmacy or prescriber, and (3) retail dispensing of medical marijuana.

All licensed pharmacies and prescribers who personally furnish controlled substances (except veterinarians) are required to submit data within 24 hours. Wholesalers report monthly. Licensed medical marijuana dispensaries are required to report within five minutes of a sale.

Each year, OARRS collects information on approximately 20 million prescriptions, and over ten million medical marijuana sales transactions reported by licensed retail dispensaries.

In 2022, there were 98,897 authorized OARRS users: 78,735 prescribers or prescriber delegates (79.6%), 16,795 pharmacists or pharmacist delegates (17.0%), 3,100 law enforcement representatives (3.1%), and 267 others (0.3%).

Licensing activity

The current licensure activities of the Board include the testing and certification of pharmacists and pharmacy interns entering the profession in Ohio, as well as renewing the licenses of practicing pharmacists annually. In addition, the Board licenses sites where dangerous drugs (primarily those requiring a prescription) are purchased and stored prior to the delivery to a patient. The site licenses are issued by the Board as either a terminal distributor of dangerous drugs (mainly retail-type settings including pain management clinics) or a wholesale distributor of dangerous drugs. Terminal distributor sites include, but are not limited to, retail pharmacies, hospitals, physician offices, veterinary clinics, nursing homes, prisons and jails, emergency medical squads, clinics, and medical gas distributors.

H.B. 49 of the 132nd General Assembly redefined Terminal Distributor of Dangerous Drugs CAT I and Controlled Substance Manufacturer licenses into other license types. The Board implemented new categories for the Wholesale Distributor of Dangerous Drugs license as well. H.B. 49 also adjusted licensing renewal schedules and fees. Additionally, in FY 2018, the Board took on the responsibility of issuing Home Medical Equipment Facility Licenses and Certificates of Registration, which were previously issued under the abolished Respiratory Care Board.

The Board's number of active licenses for FY 2018 through FY 2022 is summarized in Table 1 below.¹ The licensing and registration activities under the MMCP are detailed in the "**Medical Marijuana Control Program**" section below.

Table 1. Number of Active Licenses, FY 2018-FY 2022					
License Type	Fiscal Year				
	2018	2019	2020	2021	2022
Pharmacist	20,349	20,704	21,843	21,882	23,267
Pharmacy Intern	3,449	2,951	4,397	4,343	5,132
Pharmacy Technician	20,648	24,269	34,372	37,075	43,783
Terminal Distributor of Dangerous Drugs	19,591	19,555	21,813	23,831	24,768
Drug Distributor	1,736	1,802	2,028	2,237	2,228
Home Medical Equipment Service Provider	661	874	1,011	1,055	1,097
Medical Marijuana Control Program					
Dispensary – Certificate of Operation	N/A	19	51	70	89
Dispensary – Provisional	N/A	37	34	3	74
Dispensary Employee	N/A	614	1,533	2,311	2,880
Total Active Licenses	66,434	70,825	87,082	92,807	103,318

¹ Data drawn from the Board's annual reports posted on its website.

Medical Marijuana Control Program

H.B. 523 of the 131st General Assembly established the Ohio Medical Marijuana Control Program (MMCP), which permits a patient, on the recommendation of a physician, to use medical marijuana to treat a qualifying medical condition. The respective responsibilities of the three state agencies charged with administering the program are summarized in Table 2 below. The executive budget proposes to generally transfer the Board of Pharmacy's current MMCP responsibilities to the Department of Commerce during FY 2024.

Table 2. MMCP State Agency Responsibilities		
State Agency	Responsibility	Program Update
State Board of Pharmacy*	<ul style="list-style-type: none"> Register patients and caregivers Issue licenses to medical marijuana retail dispensaries 	<ul style="list-style-type: none"> 159,057 patients with both active registration and active recommendation 62 Dispensary Certificates of Operation
Department of Commerce**	<ul style="list-style-type: none"> Issue licenses to medical marijuana cultivators, processors, and testing laboratories 	Operational licensees <ul style="list-style-type: none"> Cultivators: 31 Processors: 44 Testing Laboratories: 8
State Medical Board***	<ul style="list-style-type: none"> Issue certificates to physicians seeking to recommend treatment with medical marijuana (CTR) 	<ul style="list-style-type: none"> 657 active CTR physicians

*Pharmacy program update as of December 31, 2022

**Commerce program update as of January 25, 2023

***Medical Board program update as of January 11, 2023

The Board of Pharmacy began: (1) issuing provisional licenses to medical marijuana retail dispensaries in June 2018, and (2) registering patients and caregivers in December 2018.

Table 3 below summarizes the Board's current MMCP fee structure.

Table 3. Pharmacy Board's Medical Marijuana Fee Structure		
Fee Description	Fee Amount	Frequency
Dispensary (nonrefundable)		
Dispensary Application	\$5,000	One-time
Certificate of Operation	\$70,000	One-time
License Renewal	\$70,000	Biennial
Associated Key Employee		
Application	\$500	One-time
Renewal	\$500	Biennial

Table 3. Pharmacy Board's Medical Marijuana Fee Structure		
Fee Description	Fee Amount	Frequency
Key Employee		
Application	\$250	One-time
Renewal	\$250	Biennial
Support Employee		
Application	\$100	One-time
Renewal	\$100	Biennial
Patient and Caregiver (nonrefundable)*		
Patient Registration	\$50	Annual
Caregiver Registration	\$25	Annual

*The Board may reduce registration fees to 50% of the full registration price for a prospective patient who qualifies for indigent or veteran status, and any prospective caregiver for such a patient.

Table 4 below shows the Board's MMCP annual revenues and expenditures from FY 2018-FY2022.

Table 4. Pharmacy Board's MMCP Fund Activity Summary, FY 2018-FY 2022					
Activity	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$1,920,383	\$3,564,162	\$6,998,229	\$10,298,742	\$20,550,007
Expenditures	\$2,111,650	\$3,324,680	\$3,166,115	\$2,358,914	3,061,131

Fees (excluding MMCP)

A selective summary of the fees currently charged by the Board for pharmacists, pharmacy interns, pharmacy technicians, terminal and wholesale distributors of dangerous drugs, and home medical equipment service providers is depicted in Table 5 below. The Board did not request, nor does the executive budget propose, any changes in these fees for the FY 2024-FY 2025 biennium.

H.B. 509 of the 134th General Assembly reduces the initial license and annual renewal fee for pharmacy interns from \$45 to \$30. However, it allows the Board to implement the fee reduction gradually, until January 1, 2028. At the time the bill was enacted (in December 2022), the Board estimated a \$77,000 biennial decrease in the amount of revenue that otherwise would have been credited to Fund 4K90 once fully implemented.

Table 5. Pharmacy Board Fees		
Fee Description	Fee Amount	Frequency
Pharmacist		
Initial License by Examination	\$110	One-time
License Renewal	\$250	Biennial
Pharmacy Intern		
Initial License Application	\$45	One-time
License Renewal	\$45	Biennial
Pharmacy Technician		
Certified Technician Application	\$50	One-time
Certified Technician Renewal	\$50	Biennial
Registered Technician Application	\$50	One-time
Registered Technician Renewal	\$50	Biennial
Technical Trainee Registration	\$25	One-time
Terminal Distributor of Dangerous Drugs (TDDD)		
Category II or Limited Category II	\$320	Biennial
Category III or Limited Category III	\$440	Biennial
Veterinary Medicine Practice	\$120	Biennial
Solo Practitioner, Sole Shareholder, or Dentist	\$120	Biennial
EMS Satellite Locations	\$120	Biennial
Home Medical Equipment (HME) Services Provider		
Facility Certification of Registration (HMER) – Initial	\$150	One-time
Facility Certification of Registration (HMER) – Renewal	\$300	Biennial
Facility License (HMEL) – Initial	\$300	One-time
Facility License (HMEL) – Renewal	\$400	Biennial
Distributor of Dangerous Drugs		
Category II	\$1,900	Biennial
Category III	\$2,000	Biennial

FY 2024 - FY 2025 Appropriations - As Introduced

All Fund Groups

Line Item Detail by Agency			FY 2022	Estimate FY 2023	Introduced FY 2024	FY 2023 to FY 2024 % Change	Introduced FY 2025	FY 2024 to FY 2025 % Change
Report For: Main Operating Appropriations Bill			Version: As Introduced					
PRX	State Board of Pharmacy							
4A50	887605	Drug Law Enforcement	\$ 0	\$ 50,000	\$ 50,000	0.00%	\$ 50,000	0.00%
4K90	658605	OARRS Integration - State	\$ 250,947	\$ 593,948	\$ 492,000	-17.16%	\$ 492,000	0.00%
4K90	887609	Operating Expenses	\$ 11,728,118	\$ 12,542,828	\$ 12,785,300	1.93%	\$ 13,439,300	5.12%
5SG0	887612	Drug Database	\$ 84,950	\$ 100,000	\$ 100,000	0.00%	\$ 100,000	0.00%
5SY0	887613	Medical Marijuana Control Program	\$ 3,061,131	\$ 3,309,264	\$ 2,081,000	-37.12%	\$ 0	-100.00%
Dedicated Purpose Fund Group Total			\$ 15,125,146	\$ 16,596,040	\$ 15,508,300	-6.55%	\$ 14,081,300	-9.20%
3HD0	887614	Pharmacy Federal Grants	\$ 997,353	\$ 1,550,000	\$ 1,700,000	9.68%	\$ 1,765,000	3.82%
3HH0	658601	OARRS Integration - Federal	\$ 1,809,551	\$ 2,500,000	\$ 1,392,000	-44.32%	\$ 1,393,000	0.07%
3HM0	887615	Equitable Sharing Treasury	\$ 0	\$ 5,000	\$ 5,000	0.00%	\$ 5,000	0.00%
3HN0	887616	Equitable Sharing Justice	\$ 0	\$ 30,000	\$ 30,000	0.00%	\$ 30,000	0.00%
Federal Fund Group Total			\$ 2,806,904	\$ 4,085,000	\$ 3,127,000	-23.45%	\$ 3,193,000	2.11%
State Board of Pharmacy Total			\$ 17,932,050	\$ 20,681,040	\$ 18,635,300	-9.89%	\$ 17,274,300	-7.30%