

Redbook

LBO Analysis of Executive Budget Proposal

Ohio State Board of Pharmacy

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TABLE OF CONTENTS

Quick look	1
Agency overview	2
Appropriation summary.....	2
Staffing	2
Analysis of FY 2020-FY 2021 budget proposal	3
Drug Law Enforcement (ALI 887605)	3
Operating Expenses (ALI 887609)	3
Drug Database (ALI 887612)	4
Medical Marijuana Control Program (ALI 887613).....	4
Pharmacy Federal Grants (ALI 887614)	5
OARRS Integration (ALI 658605 and ALI 658601)	6
Facts & Figures	6
Cash flow activity	6
Fund 4A50	6
Fund 4K90.....	7
OARRS	8
Licensing activity	8
Medical marijuana	9

Attachment:

Appropriation Spreadsheet

LBO Redbook

Ohio State Board of Pharmacy

Quick look...

- The Board’s primary functions include licensing pharmacists and related professions, licensing sites where dangerous drugs are sold or stored, maintaining Ohio’s prescription drug monitoring database, and regulating medical marijuana dispensaries, patients, and caregivers.
- Total budget recommendations: \$17.3 million in FY 2020 and \$17.1 million in FY 2021.
 - Revenue sources: State non-GRF (82.9%) and federal (17.1%).
 - The Board receives no GRF funding.
- Nearly 75% of the Board’s budget is for personal services and purchased personal services.
- The Board oversees over 67,000 active licenses.

Fund Group	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Dedicated Purpose Fund (DPF)	\$10,968,651	\$13,492,564	\$14,372,088	\$14,221,587
Federal (FED)	\$1,851,840	\$2,377,417	\$2,976,016	\$2,915,000
Total	\$12,820,491	\$15,869,981	\$17,348,104	\$17,136,587
% change	--	23.8%	9.3%	-1.2%

Chart 1: Pharmacy Budget by Fund Group
FY 2020-FY 2021 Biennium

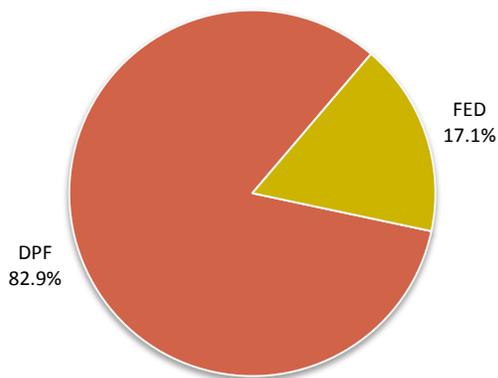
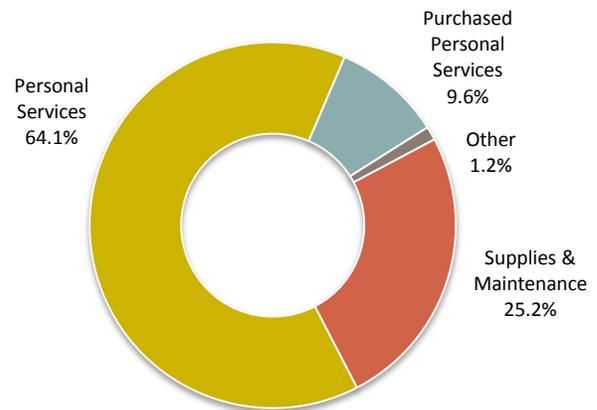


Chart 2: Pharmacy Budget by Expense Category
FY 2020-FY 2021 Biennium



Biennial total: \$34.5 million

Agency overview

The State Board of Pharmacy (hereinafter the Board), first created in 1884, 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 two distinct programs as follows:

- **Regulation.** (1) Licensing and monitoring of pharmacists, pharmacy interns, pharmacy technicians, terminal and wholesale distributors, and certain home medical equipment providers, (2) enforcing criminal drug laws, and (3) 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.
- **Medical Marijuana Control.** Licensing of medical marijuana dispensaries and registration of medical marijuana patients and caregivers.

Appropriation summary

The executive budget provides the Board with a total appropriation of \$17.3 million in FY 2020 and \$17.1 million in FY 2021. 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 82.9% of the Board’s budget during the biennium followed by federal funding (17.1%). The Board receives, as has been the historical practice, no GRF funding.

Chart 2 on the “**Quick look**” section shows the total executive recommended biennial appropriations by object of expense. Approximately 64% of the total biennial appropriation recommendation, or \$22.1 million, is allocated for payroll costs, followed by supplies and maintenance (25.2%, or \$8.7 million), purchased personal services (9.6%, or \$3.3 million), equipment (1.2%, or \$403,000), and transfers and nonexpense (0.01%, or \$4,000).

Staffing

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, as Table 1 below shows, 92 full-time equivalent (FTE) staff are currently employed to perform regulation, prescription monitoring, and medical marijuana control program activities. From FY 2019 projected through FY 2021, the Board’s staffing level is expected to remain steady, while transferring 11 FTEs from Prescription Monitoring to Regulation, as the former is merged into the latter as of FY 2020.

Program	FY 2018	FY 2019	FY 2020	FY 2021
Regulation	59	68	79	79
Prescription Monitoring	8	11	0	0
Medical Marijuana	13	13	13	13
Total FTEs	80	92	92	92

*FYs 2020-2021 are estimates.

Analysis of FY 2020-FY 2021 budget proposal

The Board's budget consists of seven appropriation line items (ALIs), five of which are supported by money appropriated from specific funds in the Dedicated Purpose Fund (DPF) Group, and two of which are supported by federal grants or awards. The proposed budget provides a total appropriation of \$17.3 million in FY 2020 and \$17.1 million in FY 2021, of which 82.9% is supported by the DPF Group, and 17.1% by federal funding. Each of these seven line items is discussed further below.

Drug Law Enforcement (ALI 887605)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
DPF Fund 4A50 ALI 887605, Drug Law Enforcement					
\$17,644	\$35,155	\$16,911	\$150,000	\$150,000	\$150,000
% change	99.2%	-51.9%	787.0%	0.0%	0.0%

This line item is used to fund expenses the Board incurs in the enforcement of criminal drug laws, including providing training, education, and equipment for investigative staff. The 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 and credited to Fund 4A50. Under the executive budget, one-third of the total appropriation, or \$50,000, is allocated equally in each fiscal year for: (1) purchased personal services, (2) supplies and maintenance, and (3) equipment.

Operating Expenses (ALI 887609)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
DPF Fund 4K90 ALI 887609, Operating Expenses					
\$6,242,952	\$7,396,829	\$8,542,861	\$9,100,357	\$10,220,383	\$10,646,387
% change	18.5%	15.5%	6.5%	12.3%	4.2%

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, the practice of pharmacy, and the activities of home medical equipment service providers.

The executive budget allocates 76%, or roughly \$8.0 million, in each fiscal year for personal services (wages, salaries, fringe benefits, and payroll checkoff charges). Around 20%, or \$2.0 million, in each fiscal year is allocated for supplies and maintenance, and another 2%, or \$225,000, is allocated for purchased personal services. The remaining 1% to 2%, around \$110,000 in FY 2020 and \$197,000 in FY 2021, is allocated, in order of magnitude, for: (1) equipment, and (2) transfers and nonexpense.

Drug Database (ALI 887612)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
DPF Fund 5SG0 ALI 887612, Drug Database					
\$0	\$127,221	\$127,773	\$262,000	\$664,369	\$670,000
% change	--	0.4%	105.1%	153.6%	0.8%

This line item is used to make improvements to, and increase the utilization of, OARRS. Currently, it is being used to implement two memorandums of understanding (MOU): one between the Board and the Ohio Department of Health and one between the Board and the Department of Mental Health and Addiction Services (MHA). Under the MOU with the Department of Health, the Department transfers federal grant money to the Board 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. Under the MOU with the Department of Mental Health and Addiction Services, the Department transfers federal grant money to the Board for the purpose of making certain improvements to OARRS to help MHA address prescription drug overdoses.

In each fiscal year, the executive budget allocates 63%, or roughly \$420,000, for personal services (wages, salaries, fringe benefits, and payroll checkoff charges), 22%, or \$150,000, for purchased personal services, and 15%, or \$100,000, for supplies and maintenance.

Medical Marijuana Control Program (ALI 887613)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
DPF Fund 5SY0 ALI 887613, Medical Marijuana Control Program					
\$0	\$563,124	\$2,111,651	\$3,748,542	\$3,084,072	\$2,500,200
% change	--	275.0%	77.5%	-17.7%	-18.9%

This line item is 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 decrease in the appropriations between FY 2019 and FY 2020, and again between FY 2020 and FY 2021, reflect a reduction in projected expenses, primarily purchased personal services, as the program transitions from start-up to ongoing maintenance.

In FY 2020, the executive budget allocates 48%, or \$1.5 million, for personal services (wages, salaries, fringe benefits, and payroll checkoff charges), 42%, or \$1.3 million, for purchased personal services, and 10%, or \$310,000, for supplies and maintenance.

In FY 2021, the executive budget allocates 63%, or \$1.6 million, for personal services (wages, salaries, fringe benefits, and payroll checkoff charges), 20%, or \$500,000, for purchased personal services, and 17%, or \$430,000, for supplies and maintenance.

The money for this purpose is appropriated from the Medical Marijuana Control Program Fund (Fund 5SY0), which was initially funded by a \$1.8 million transfer in FY 2017 from the CB Emergency Purpose Fund (Fund 5KM0). Since the initial transfer, a total of \$8.6 million has been transferred and split in varying amounts to fund the operating expenses of both the Board and Department of Commerce. The executive budget requires the directors of the Board and the Department of Commerce to consult with the Director of Budget and Management to determine a repayment schedule during the biennium to fully repay the transfers from Fund 5KM0 to Fund 5YS0. This repayment will be deposited into the GRF. The repayment will be from license fees that are credited to Fund 5YS0.

Pharmacy Federal Grants (ALI 887614)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
FED Fund 3HDO ALI 887614, Pharmacy Federal Grants					
\$0	\$72,059	\$251,058	\$283,682	\$612,433	\$531,000
% change	--	248.4%	13.0%	115.9%	-13.3%

This line item is used by the Board to expend federal project grants awarded to the Board for the purposes of making improvements to, and increasing the use of, OARRS.

In FY 2020, the executive budget allocates 82%, or roughly \$500,000, for personal services (wages, salaries, fringe benefits, and payroll checkoff charges), 16%, or \$100,000, for purchased personal services, and 2%, or \$10,000, for supplies and maintenance.

In FY 2021, the executive budget allocates 98%, or roughly \$520,000, for personal services (wages, salaries, fringe benefits, and payroll checkoff charges). The remaining 2%, or \$10,000, is allocated for supplies and maintenance.

OARRS Integration (ALI 658605 and ALI 658601)

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
DPF Fund 4K90 ALI 658605, OARRS Integration – State					
\$0	\$0	\$163,455	\$231,665	\$253,264	\$255,000
FED Fund 3HHO ALI 658601, OARRS Integration – Federal					
\$0	\$0	\$1,546,076	\$2,093,735	\$2,363,583	\$2,384,000
OARRS Integration Total		\$1,709,531	\$2,325,400	\$2,616,847	\$2,639,000
% change		--	36.0%	12.5%	0.8%

These two line items are used to fund the Ohio Automated Rx Reporting System (OARRS) integration initiative, 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. Line item 658605, OARRS Integration – State, provides the state match to meet federal grant requirements.

In each fiscal year, the executive budget allocates about 66%, or \$1.7 million, for supplies and maintenance, 23%, or roughly \$600,000, for personal services (wages, salaries, fringe benefits, and payroll checkoff charges), and 11%, or \$280,000, for purchased personal services.

Facts & Figures

Cash flow activity

Fund 4A50

Fund 4A50 consists of revenues from certain criminal fines, bail, or property forfeitures collected as a result of the Board's drug law enforcement efforts and not statutorily directed for deposit in the above-discussed Fund 4K90. If the Board acted as the lead investigative agent in the prosecution of the criminal offense, 100% of the revenues are credited to the fund. The Board is restricted to using the revenue in the fund for drug law enforcement purposes only, which in practice means providing the Board's compliance and enforcement staff with current technology and training. As seen in Table 2 below, the fund's annual revenues vary greatly from year to year.

Table 2. Fund 4A50 Cash Flow History, FY 2014-FY 2018

Fiscal Year	Beginning Cash	Revenues	Expenditures	Net Cash Available
2014	\$589,138	\$16,876	\$86,680	\$519,334
2015	\$519,333	\$106,961	\$4,694	\$621,600
2016	\$621,600	\$16,170	\$17,644	\$620,126
2017	\$620,125	\$0	\$35,155	\$584,971
2018	\$584,970	\$76,510	\$16,911	\$644,569

Fund 4K90

The Board of Pharmacy is currently one of 19 occupational licensing and regulatory boards and commissions that deposit all, or most, of their revenue collections into the Occupational Licensing and Regulatory Fund (Fund 4K90), and draw on that fund to finance most, if not all, of their annual operating expenses.

Table 3 below displays the amount of revenue that the Board has deposited in the state treasury to the credit of Fund 4K90 from FY 2014 through FY 2018, as well as the amount of funding that the Board has drawn from the fund over the same period of time. The table indicates that the Board generally has deposited more revenue to the credit of Fund 4K90 over that period of time than it has drawn from the fund to support annual operating expenses. The “Net” amounts in the table’s last column do not reflect Board moneys removed from Fund 4K90 by the Office of Budget and Management (OBM) for administrative purposes. Thus, the “Net” amounts do not exactly equal the Board’s cash balance in Fund 4K90.

Table 3. Pharmacy Board Fund 4K90 Revenues and Expenditures, FY 2014-FY2018

Fiscal Year	Revenues*	Expenditures	Net
2014	\$6,723,546	\$6,076,276	\$647,270
2015	\$6,645,706	\$6,500,474	\$145,232
2016	\$7,044,771	\$6,242,954	\$801,817
2017	\$7,323,188	\$7,396,829	-\$73,641
2018	\$10,040,708	\$8,712,315	\$1,328,393

*Includes all sources of revenue, both from fees and fines.

Certain fines and forfeited bonds and bails collected by the Board are also deposited into Fund 4K90. Generally, this money constitutes approximately 10% of the total revenue deposited annually by the Board to the credit of Fund 4K90.

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.

Currently, there are 112,068 OARRS users: 96,021 prescribers or prescriber delegates (85.7%), 15,220 pharmacists or pharmacist delegates (13.6%), and 827 law enforcement agencies (0.7%). The total number of patient queries in OARRS has increased annually from 1.78 million in 2011 to 142.5 million in 2018.

As the Board's annual costs to operate and maintain OARRS have exceeded available federal funding, the difference has been covered by the utilization of money appropriated from Fund 4K90. The distribution of the payment of those annual OARRS operating costs between federal and state revenue sources is shown in Table 4 below.

Fiscal Year	Federal Funds	% of Total	Fund 4K90	% of Total	Total
2014	\$269,830	38%	\$434,834	62%	\$704,664
2015	\$283,645	37%	\$486,411	63%	\$770,056
2016	\$391,624	43%	\$524,603	57%	\$916,227
2017	\$291,993	31%	\$663,319	69%	\$955,312
2018	\$1,979,612	77%	\$607,320	23%	\$2,586,932
2019	\$2,271,081	78%	\$629,715	22%	\$2,900,796
2020	\$2,711,842	79%	\$730,819	21%	\$3,442,661
2021	\$2,717,727	79%	\$739,569	21%	\$3,457,296

*FY 2019-FY 2021 are estimates.

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 2014 through FY 2018 is summarized in Table 5 below.¹ For comparison purposes, FY 2014 through FY 2017 license numbers from the abolished Board are included in the table, but are not included in the count of total licenses for those fiscal years.

License Type	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Registered Pharmacist	18,474	19,514	19,592	19,984	20,349
Pharmacy Intern	3,238	4,306	3,365	3,712	3,449
Terminal DDD Category III	11,529	12,707	11,917	12,890	12,924
Terminal DDD Category II	4,996	5,902	5,824	6,267	6,600
Terminal DDD Category I (discontinued)	20	22	21	20	0
Wholesale DDD (discontinued)	1,736	1,847	1,706	1,793	0
Drug Distributor Category III (new)	N/A	N/A	N/A	N/A	630
Drug Distributor Category II (new)	N/A	N/A	N/A	N/A	1,118
Controlled Substance Manufacturer (discontinued)	460	526	620	639	0
Veterinary Facility Drug	630	756	871	1,244	1,294
Home Medical Equipment Facility License*	109*	229*	182*	147*	108
Home Medical Facility Certificate of Registration*	618*	772*	814*	737*	566
Medical Marijuana Dispensary Provisional License (new)	N/A	N/A	N/A	N/A	56
Pharmacy Technician Trainee (new)	N/A	N/A	N/A	N/A	3,065
Registered Pharmacy Technician (new)	N/A	N/A	N/A	N/A	7,991
Certified Pharmacy Technician (new)	N/A	N/A	N/A	N/A	9,492
Total Licenses	41,083	45,580	43,916	46,549	67,642

Note: DDD denotes "Distributor of Dangerous Drugs."

*Licenses issued by the Respiratory Care Board prior to FY 2018 are not included in total licenses for those prior fiscal years.

Medical marijuana

H.B. 523 of the 131st General Assembly established the Medical Marijuana Control Program within the Department of Commerce and the State Board of Pharmacy. In addition to supporting the Medical Marijuana Advisory Committee, the Board provides for the licensure of retail dispensaries and the registration of patients and their caregivers.

¹ Data from annual Occupational Licensing and Regulatory Board Report published by LSC.

The Board began issuing provisional licenses to medical marijuana dispensaries in June 2018. As of March 1, 2019, the Board has granted provisional licenses to 56 dispensaries, nine of which have received a certificate of operation in eight counties: Columbiana, Coshocton, Erie, Jackson, Jefferson (2), Lake, Lorain, and Stark.

The Board began registering patients and caregivers in December 2018. As of February 28, 2019, doctors have entered 22,276 patients and caregivers in the Patient and Caregiver Registry. Of those, 19,395 patients and 973 caregivers have completed registration with the Board, including 1,621 patients with veteran status, 637 patients with indigent status, and 107 patients with a terminal diagnosis. Over 5,400 patients and caregivers have purchased medical marijuana through licensed dispensaries.

The 14-member Medical Marijuana Advisory Committee was established as part of the 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.² 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.

PRX/lb

² The Committee ceases to exist October 8, 2021.

FY 2020 - FY 2021 Appropriations - As Introduced

All Fund Groups

Line Item Detail by Agency			Estimate	Introduced	FY 2019 to FY 2020	Introduced	FY 2020 to FY 2021	
			FY 2018	FY 2019	FY 2020	% Change	FY 2021	% Change
Report For: Main Operating Appropriations Bill			Version: As Introduced					
PRX	State Board of Pharmacy							
4A50	887605	Drug Law Enforcement	\$ 16,911	\$ 150,000	\$ 150,000	0.00%	\$ 150,000	0.00%
4K90	658605	OARRS Integration - State	\$ 163,455	\$ 231,665	\$ 253,264	9.32%	\$ 255,000	0.69%
4K90	887609	Operating Expenses	\$ 8,548,861	\$ 9,100,357	\$ 10,220,383	12.31%	\$ 10,646,387	4.17%
5SG0	887612	Drug Database	\$ 127,773	\$ 262,000	\$ 664,369	153.58%	\$ 670,000	0.85%
5SY0	887613	Medical Marijuana Control Program	\$ 2,111,650	\$ 3,748,542	\$ 3,084,072	-17.73%	\$ 2,500,200	-18.93%
Dedicated Purpose Fund Group Total			\$ 10,968,649	\$ 13,492,564	\$ 14,372,088	6.52%	\$ 14,221,587	-1.05%
3EBO	887608	2008 Developing/Enhancing PMP	\$ 54,706	\$ 0	\$ 0	N/A	\$ 0	N/A
3HD0	887614	Pharmacy Federal Grants	\$ 251,058	\$ 283,682	\$ 612,433	115.89%	\$ 531,000	-13.30%
3HH0	658601	OARRS Integration - Federal	\$ 1,546,076	\$ 2,093,735	\$ 2,363,583	12.89%	\$ 2,384,000	0.86%
Federal Fund Group Total			\$ 1,851,840	\$ 2,377,417	\$ 2,976,016	25.18%	\$ 2,915,000	-2.05%
State Board of Pharmacy Total			\$ 12,820,489	\$ 15,869,981	\$ 17,348,104	9.31%	\$ 17,136,587	-1.22%