

Testimony concerning HB 2558
House Committee on Taxation
Presented by Alexandra Blasi, Executive Secretary
On behalf of
The Kansas State Board of Pharmacy

Chairman Smith and Members of the Committee:

The Kansas State Board of Pharmacy respectfully submits this testimony in support of HB 2558 and appreciates the Committee's consideration of the bill. House bill 2558 would create a tax deduction for all donations to the Kansas Prescription Drug Monitoring Program, known as K-TRACS. K.S.A. 65-1683(e) authorizes the Board to accept any donation, gift or bequest made to the K-TRACS program. However, there is currently no incentive to donate and the program has never received such a donation. The Board and the K-TRACS Advisory Committee, which is composed of prescribers and pharmacists, believe creating a tax deduction for program donations would provide an incentive for individuals and organizations to contribute to the K-TRACS program. This would help offset K-TRACS costs, over time.

The mission of the Board is to ensure that all persons and entities conducting business relating to the practice of pharmacy in Kansas are properly licensed and registered. In connection therewith, the Board is responsible for operating K-TRACS. K-TRACS is a vital program and potent tool used by healthcare professionals to enhance patient care and to prevent the misuse, abuse, and diversion of controlled substances and drugs of concern, while ensuring continued access for appropriate use. Each pharmacy is required to report to K-TRACS prescription information for controlled substances and drugs of concern dispensed to Kansas patients, including opioids, benzodiazepines, and stimulants. Prescribers and pharmacists then access K-TRACS data through a real-time, web-based system as a clinical decision-making tool in providing care for their patients. K-TRACS also provides oversight for prescribers and pharmacies that demonstrate concerning prescribing and dispensing practices. Information on the program's success and status can be found in the enclosed 2022 K-TRACS Legislative Report.

The Board does not generate any revenue from K-TRACS. Instead, the agency applied for and received several federal grants from 2009-2014 to fund K-TRACS outright. Unfortunately, grant funds are now only available for program enhancements and short-term projects. Regular program maintenance costs for staff, software, and supplies must be funded at the state level. Additionally, pursuant to K.S.A. 65-1684, the Board shall not impose any charge for the establishment or maintenance of K-TRACS on a registered wholesale distributor, pharmacist, pharmacy, or prescriber.

During FY2017, grant funds were awarded to the Kansas Department of Health and Environment (KDHE) for enhancement of K-TRACS as well as other educational and research projects, and the Board was engaged as a sub-recipient project partner through August 2019. The CDC awarded new funds to KDHE for the period September 2019 – August 2022, again including the Board as a sub-recipient under the grant. No sub-recipient contract has yet been finalized or presented for Year 4 (September 1, 2022 – August 31, 2023) of the grant. Funds from this grant award primarily cover the cost of integrating K-TRACS information directly into the electronic health records of prescribers and pharmacists to provide easier access to K-TRACS information. The Board is also the recipient of a 2018 Harold Rogers grant from the U.S. Department of Justice Bureau of Justice Assistance through September 30, 2022, as well as a 2020 Harold Rogers grant through September 30, 2023. Recently, the Board received notification from the Kansas Department on Aging and Disability Services that they have been

awarded a grant from the U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration (SAMHSA), in which the Board will serve as a project partner subrecipient.

As a temporary funding solution for FY2018 and FY2019, K-TRACS costs were covered by surplus fee fund transfers from agencies regulating prescribers and dispensers in Kansas, including the Board of Pharmacy, Board of Healing Arts, Dental Board, Board of Nursing, and Board of Optometry. In 2019, the legislature authorized a continuation of the fee fund transfers and supplemental funding from the State Drug Manufacturer’s Rebate Fund for FY2020 and FY2021 to cover K-TRACS costs. In 2021, the legislature authorized \$200,000 annually from the new Opioid Settlement Litigation Fund under the authority of the Kansas Attorney General to be transferred each July 1st for the operation and maintenance of the K-TRACS program.

Despite continued grant applications and successful awards, funding presents the largest obstacle to maintaining K-TRACS. The Board engaged stakeholders and researched permanent funding options for this statutorily-mandated and vital program, and determined that a permanent funding solution is necessary for ongoing maintenance and support of K-TRACS. The Board and the K-TRACS Advisory Committee believe K-TRACS is a public health program that benefits all Kansas citizens. Last year, the Board was able to finalize a comprehensive funding plan with the legislature through FY 2023, which should support long-term, permanent funding. The plan includes:

1. Transferring \$200,000 annually on July 1 from the Kansas Opioid Litigation Settlement Fund, if funds are available;
2. Expenditure authority for the K-TRACS program from the pharmacy fee fund;
3. Creating a fee-based structure for participants in K-TRACS integration programs (HB 2253, SB 168); and
4. Creating a Kansas tax deduction for donations to the K-TRACS program under K.S.A. 65-1683(e) (HB 2558).

The projected K-TRACS funding sources for FY 2022 and FY 2023 are as follows:

Funding Source	FY 2022	FY 2023
Pharmacy Fee Fund	\$ 10,454	\$ 981,191
K-TRACS Fund	\$ 200,000	\$ 200,000
CDC Grant	\$ 921,264	
2018 Harold Rogers PDMP Grant	\$ 132,423	
2020 Harold Rogers PDMP Grant	\$ 506,477	\$ 361,245
SAMHSA Grant	\$ 143,776	\$ 157,056
Totals	\$ 1,914,394	\$ 1,699,492

As highlighted above, the Board has received additional federal funding as a subrecipient of the Kansas Department on Aging and Disability Services’ SAMHSA grant through 2026. The Board also hopes to receive grant funding (KDHE CDC grant Year 4) for K-TRACS integration into electronic health records for FY2023 which would substantially reduce the fee fund burden. However, there are still unmet long-term expenditure needs to ensure continuation of K-TRACS that could be offset by revenue generated by donations to the program. Creating a tax deduction for such donations may incentivize individuals and organizations to donate.

The Board is sensitive to the fiscal note which indicates costs to the Department of Revenue to setup this deduction. However, the Board believes the long-term benefit of donations received would outweigh the setup costs.

Respectfully submitted.