



PEHP Response

Submitted 02/28/2019 16:03:00

SB0223 - Pharmaceutical Entity Transparency Act

Any Fiscal Impact - yes

Updated 02/28/2019 16:02:15 by David Hansen

SB 223 requires PEHP to meet certain standards regarding preauthorizations and appeals for pharmacy benefits, and requires PEHP to cover a removed drug for continuity of care in certain situations. It also removes the ability of a drug manufacturer to provide copay assistance to patients and health plans.

In order to meet the preauthorization requirements found in lines 153-159, PEHP estimates that it would either cost \$25,500 in IT resources or \$55,000 for an additional full-time employee.

Lines 178-179 require continuity of care for members on a particular drug if that drug is removed from the formulary or an insurer changes authorization requirements, such as step-therapy. PEHP currently uses a custom formulary and step-therapy. When it makes changes to the drug requirements, PEHP has a policy that allows for a member to request an exception or a transition period to transfer to a new treatment. However, the language here would require PEHP to always make an exception, and that would hamper PEHP's ability to obtain the best pharmacy prices. If PEHP were to completely remove step-therapy and the ability to make formulary changes, PEHP estimates the cost to be \$10 million per year. Since PEHP's contracts are largely established, we would anticipate that the fiscal impact of SB 223 would ultimately result in an annual loss of \$2,227,896 phased in over the next six years as indicated below:

	Current contract savings	Rate of loss	loss	What is left
FY 2020	\$10,000,000	7.50%	\$750,000	\$9,250,000
FY 2021	5.00%	\$462,500	\$8,787,500	
FY 2022	5.00%	\$439,375	\$8,348,125	
FY 2023	5.00%	\$417,406	\$7,930,719	
FY 2024	2.00%	\$158,614	\$7,772,104	
Total			\$2,227,896	

Lines 667-690 prevent a drug manufacturer from waiving or offering to waive any of the cost-sharing requirements (deductible, coinsurance, copay) as part of a health plan. These services

are typically referred to as copay assistance. Currently, the state receives a benefit of about \$6 million/year in copay assistance (\$8.00 per member per month) from pharmacy manufacturers. As written, the bill would eliminate the full amount of this benefit.

Total cost

FY 2020 - \$6,775,500

FY 2021 - \$7,238,000

FY 2022 - \$7,677,375

PEHP - no

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State Revenue - no

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Local Government - no

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Business / Individual - no

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