

SB 69 MEDICATION AMENDMENTS (Vickers, Evan J.)

Anticipated Fiscal Impact: \$889,625 per year or \$1.21 per member per month (PMPM)

A health plan's costs for drugs are higher when they are subject to 340B pricing. Under federal law, 340B entities are eligible to purchase drugs at significant discounts, which they are allowed to resell to commercial health plans at the full market price while keeping the difference. What makes 340B drugs more costly to health plans is the loss of manufacturer rebates. Because the discounts on 340B drugs are so significant, drug manufacturers are unwilling to pay rebates on top of 340B discounts. Rebates for all 340B drugs are significant at about 41% of the price.

As we read SB 69, it would cost the state health insurance plan \$889,625 in lost rebates by expanding access to 340B drugs.

Currently PEHP spends about \$44,742,530 on behalf of the state for drugs that are eligible for 340B pricing. Of this, currently \$35,205,154 or 78.7% are not purchased through a 340B entity while \$9,537,376 or 21.3% are. The current rebate for all 340 eligible drugs is 41%. This means that the state realizes \$14,674,136 in rebates savings for drugs that are not purchased through a 340B entity. It also means that the state is currently losing about \$3,910,324 in rebate savings for drugs that are purchased through a 340B entity.

There is a subset of about thirty-five 340B drugs (for example, Trulicity, Stelara, Ozempic) that drug manufacturers will only send to a 340B entity for dispensing. So called one-pharmacy rule drugs. This means that if a 340B eligible patient filled their prescription anywhere other than with the 340B entity, the dispensed drug would not benefit from 340B pricing and normal rebates would be paid to health plans (rebates for this subset of drugs is 31%). Currently, the state health insurance plan receives \$889,625 in rebates for 340B eligible drugs that are filled at pharmacies other than the 340B entity.

SB 69 would override the "one pharmacy rule" by requiring manufacturers to send 340B drugs to the pharmacy that a 340B eligible patient uses as long as it had a contractual relationship with a 340B entity, thus expanding 340B discounted drugs and resulting in lost rebates for the state health insurance plan.

ANTICIPATED FISCAL IMPACT ON EDUCATION AND LOCAL GOVERNMENT ENTITIES - \$1.21 per member per month

Pursuant to Utah Code Ann. 31A-22-605.5(2)(b) and (3) – a health insurance mandate shall apply to health coverage offered in the state risk pool, public school districts, charter schools and institutions of higher education. The same PMPM fiscal impact would be applicable to each of these entities covered by PEHP. PEHP does not cover every public school district, charter school or institution of higher education in the state. Some public entity employees are insured through private insurance carriers. The fiscal effect on the PEHP covered public entities would be:

- State risk pool, excluding state, but including higher education (Weber St, USU Eastern, Snow, Utah Tech, and technical colleges) - $\$1.21 \text{ PMPM} \times 12,958 \text{ members} = \$188,150$ per year
- Public School districts and charter schools - $\$1.21 \text{ PMPM} \times 32,026 \text{ members} = \$465,017$ per year
- Local Governments – $\$1.21 \text{ PMPM} \times 52,164 \text{ members} = \$757,421$ per year