Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.175 - An act relating to the wholesale importation of prescription drugs into Vermont~~, bulk purchasing, and the impact of prescription drug costs on health insurance premiums~~

As passed by the House Committee on Health Care &
Amended (proposed) by the House Committee on Ways & Means

Sec. 1 of the bill requires the Agency of Human Services (AHS), in consultation with interested stakeholders and appropriate federal authorities, to design a wholesale prescription drug importation program. It requires AHS to submit the proposed design to the legislature by January 1, 2019 and a formal request to the U.S. Department of Health and Human Services (HHS) by July 2019, for certification as well as seek appropriate federal approvals, waivers, exemptions, or agreements, or a combination thereof, as needed to enable all covered entities enrolled in or eligible for the federal 340b Drug Pricing Program to participate in the state's wholesale drug importation program. Upon certification and approval by HHS, AHS shall begin implementing the program which will begin operations within 6 months of approval.

This section also requires AHS, in designing the program, to ~~**establish a fee for each prescription or establish another financing mechanism**~~ **recommend a charge per prescription or another method of support** to ensure that the program is funded adequately in a manner that does not jeopardize significant consumer savings. [*The **bolded** language above highlights the language as amended by the Ways & Means (W&M) specific to possible future revenues*].

The Ways & Means Committee also added language saying that the "Agency of Human Services shall not implement the wholesale prescription drug importation program until the General Assembly enacts legislation establishing a charge per prescription or another method of financial support for the program".

Fiscal Impacts

FY 2019 Est. = $150,000 to $250,000 (one-time costs)

- Based on a review of the amount Vermont spent on consultants between FY 2012 and FY 2015 for planning, designing, and analyzing Green Mountain Care, JFO determined this estimated range was in line with potential one-time, one-year costs Vermont official might need for hiring expertise to assist in the planning and design of such a program.[1] The National Academy for State Health Policy (NASHP), who has been working with States such as Utah, on similar legislation, identified a qualified vendor who would do similar work in Utah for approximately $125,000.

[1] Between 2013 and 2015, the State of Vermont spent a little of over $1 million on as many as 10 different consultants in planning, designing, and analyzing the potential impacts of Green Mountain Care.

FY 2020 Est. = To be determined

- Out year costs (FY 2020 and beyond), both one-time start-up and on-going costs, are yet to be determined and will depend on how and when such a program is implemented in Vermont. If the federal government approves the state's plan then additional resources such as staff and consultants would likely be needed to move forward no earlier than FY 2020. The bill also allows AHS to establish fees or other financing mechanisms to cover the costs of the program, which are yet to be determined.

Utah had been considering similar legislation which required an in-depth feasibility study estimated to have a general fund cost of $517,000. In the event Utah received federal approval and moved forward, Utah's Office of the Legislative Analyst (OLA) estimated implementation costs of approximately $1.5 million, most of which would be one-time costs (programming changes at Medicaid, etc.) and some of which would be on-going costs (regulatory functions). The bill would've also raised approximately $1.1 million through fees and credits.[2] While Utah did not pass legislation, the bill had support amongst legislative and executive branch leaders and the State intends to move forward in designing an importation program with support resources from the *National Academy for State Health Policy (NASHP).*

NASHP has funding from a foundation to support states in addressing rising drug prices. With this funding, they are working with a private consulting firm to assist states in planning and designing an implementation template for developing proposals to submit to the U.S. Secretary of Health and Human Services seeking authorization for drug wholesale importation programs. In a letter to Representative Bill Lippert, dated April 12, 2018, NASHP wrote, "we believe there is an opportunity to work collaboratively with Vermont and Utah, using NASHP's resources and consultants" and offers to use its resources to help Vermont move forward.[3]

Appropriation

Sec. 2 requires AHS to design ~~**and commence implementation of**~~ the wholesale prescription drug importation program only to the extent that funds are appropriated for this purpose in the budget bill enacted by the General Assembly for fiscal year 2019 or are otherwise made available. The intent of the latter part of this sentence is for AHS to take advantage of any support and resources provided by NASHP. The House W&M committee amended the language (**bolded** above) to make it clear that the design was contingent on funding.

Bill History

As passed the Senate

The bill as passed the Senate also established a bulk purchasing program for prescription drugs in the Department of Health (VDH). *This section was removed in the S.175 as passed the House Committee on Health Care.* Other sections of S.175 as passed the Senate, including "Filing and Approval of Policy Forms and Premiums" and a report on the "Impact of Prescription Drug Costs on Health Insurance Premiums" were moved to S.92 as passed the House Committee on Health Care.

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[2] https://le.utah.gov/~2018/bills/hbillint/HB0163S02_ComparedWith_HB0163S01.pdf

[3] https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/House%20Health%20Care/Bills/S.175/S.175~Bill%20Lippert~Letter%20from%20the%20National%20Academy%20for%20State%20Health%20Policy~4-13-2018.pdf

Vermont Agency of Human Services

Prior to passage of S.175 in the Senate, representatives from AHS testified that they lack the capacity, resources, and expertise to implement such a prescription drug importation program in Vermont and released a preliminary draft estimate of $645,000 to $824,000 for design, development, certification, and implementation costs. This includes the cost of hiring consultants with expertise in wholesale businesses ($416,000-$520,000) and negotiations with federal partners ($48,000) and adding as much as three staff for the wholesale importation. They estimated the timeline for design, development, certification and implementation would be 18 to 24 months and while the estimate is for FY 2019, the costs may be more representative of an 18 to 24 month time period.