SB 256, MEDICATION AMENDMENTS (Vickers, E)
Anticipated Fiscal Impact: $3,573,069 per year or $4.87 PMPM (per member per month)

Summary

Significant price differences can exist for the same drug at different locations. Because of this, health plans will incentivize members to get drugs at lower cost settings or restrict access to higher cost settings all together. These dynamics often lead providers, including 340B hospital entities, to agree to more competitive rates than they otherwise would. SB 256 would make it illegal for a health plan to (1) provide incentives to encourage the use lower-cost settings or (2) restrict member access from high-cost settings when a 340B entity, including 340 hospitals, are involved. This would result in more state members getting drugs at higher-cost settings than today. It would also allow 340B entities to increase rates as they may desire without consequence, since health plans could neither incentivize members go elsewhere nor could they restrict access to the 340B entities. We anticipate that his shift from lower-cost providers to higher-cost providers and increase to the rates of hemophilia to be in line with current 340B rates would cost the state employee health plan at least $3,573,069.

Assumptions and Analysis

1. **Shift in Volume to Higher-Cost 340B Entities.** We assume 30% of the pharmacy volume that goes to PEHP's low-cost, preferred pharmacy will migrate to 340B entities. The associated cost increase, including the loss of rebates, would be at least $3,316,116.

2. **Increase in Hemophilia Rates.** PEHP has secured by contract rates for hemophilia products. The contracted rates use 340B to reduce the member out of pocket cost and costs to the state insurance program. The cost to transition rates is $256,953.

ANTICIPATED FISCAL IMPACT ON EDUCATION AND LOCAL GOVERNMENT ENTITIES - $4.87 per member per month (PMPM)

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) - $4.87 PMPM x 12,547 members = $733,247 per year
- Public School districts and charter schools - $4.87 PMPM x 35,604 members = $2,080,698 per year
- Local Governments – $4.87 PMPM x 52,069 members = $3,042,912 per year