PEHP Health & Benefits

6 Sub. SB 69 MEDICATION AMENDMENTS (Vickers, Evan J.)

Anticipated Fiscal Impact: PEHP will change business practices to offset $889,625 or $1.21 PMPM cost of this bill

The substantive provisions of this bill are identical to HB 519, as this substitute bill now adds a provision asking PEHP to mitigate the costs of this bill by altering its business practices. PEHP believes that it can do this in one of a couple of ways. First, PEHP can seek to direct high-cost specialty drugs away from 340B entities to generate at least $900,000 in rebates that it is currently losing. Second, PEHP can engage in negotiations with 340B entities to improve discounts for medical services outside of 340B to make up for lost rebates. Of these two, directing specialty drugs away from 340B entities is something we believe is possible for PEHP today. At the same time, we believe that the addition of this language would also prove to be helpful in seeking cost mitigation through negotiation. As such, we believe that changing business practices can generate the $889,625 necessary to offset the costs of this bill.

As for the costs of this bill our analysis is as follows:

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 6 Sub 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.

6 Sub 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.