**SB 69** MEDICATION AMENDMENTS (Vickers, Evan J.)

**Anticipated Fiscal Impact:** $1,987,674 per year or $2.67 per member per month (PMPM)-

Health plans receive rebates from pharmaceutical companies for certain drugs. These rebates, however, are lost when a drug is bought and dispensed by a 340B entity, which can include a hospital. This is because the manufacturer's price for a 340B drug is significantly below the market price. Further, because 340B pricing is not passed on to commercial health plans, 340B entities are able to keep the sizable difference between the 340B price and the market price.

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 340 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.

SB 69 would allow non-340B pharmacies to contract with 340B entities to receive 340B pricing. The question this raises is how many pharmacies would enter into such a contract and how much more would the state lose in rebates as a result.

Clearly, it would be financially prudent for any non-340 pharmacy to contract with a 340B entity to obtain access to less expensive drugs that could be sold at regular market rates. If this we're to occur, the state would lose $14,647,136 in rebate savings. At the very least, we would expect that 10% more drugs would be purchased through 340B pricing as result of SB 69. This would increase the share of drugs subject to 340B pricing from 21.3% to 31.3% for an estimated increase of $1,987,674 for the state.

ANTICIPATED FISCAL IMPACT ON EDUCATION AND LOCAL GOVERNMENT ENTITIES - $2.67 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) - $2.67 PMPM x 12,958 members = $415,174 per year

• Public School districts and charter schools - $2.67 PMPM x 32,026 members = $1,026,113 per year

• Local Governments – $2.67 PMPM x 52,164 members = $1,671,335 per year