

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 1577 A

Seventy-Sixth Oregon Legislative Assembly – 2012 Regular Session
Legislative Fiscal Office

Prepared by: Kim To
Reviewed by: Linda Ames, Doug Wilson, Laurie Byerly
Date: 2/9/2012

Measure Description:

Requires state agencies to participate in Oregon Prescription Drug Program subject to exceptions.

Government Unit(s) Affected:

Oregon Health Authority (OHA), Department of Corrections (DOC), Oregon Youth Authority (OYA), counties, cities

Summary of Fiscal Impact:

See Analysis

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

Senate Bill 1577 requires state agencies to participate in the Oregon Prescription Drug Program (OPDP) subject to certain exceptions. The bill authorizes the administrator of OPDP to negotiate with prescription drug manufacturers on the extension of drug manufacturer rebates to all participants in the program that purchase prescription drugs directly or indirectly for medical assistance recipients. The measure directs the Oregon Health Authority (OHA) to apply to the Centers for Medicare and Medicaid Services for any approval necessary to obtain federal financial participation in the costs of drug purchased through OPDP. The bill is operative upon receipt by OHA of federal approval. If no federal approval is required, the bill is operative on January 1, 2013. OHA and any state agency that will participate in the program may take action before the specified operative dates. The bill establishes July 1, 2012 as the effective date.

The bill requires state agencies that directly or indirectly purchase prescription drugs, including agencies that dispense prescription drugs directly to persons in state-operated facilities, to participate in OPDP.

State agencies exempted from this requirement include:

1. Agencies that can demonstrate to the administrator that the availability of federal programs or the agency's other purchasing arrangements will result in greater discounts and aggregate cost savings than would be realized through OPDP.
2. Agencies that contract with a health maintenance organization to provide coverage that includes prescription drugs.

The bill stipulates that the Oregon Health Authority may not participate in the program to purchase prescription drugs directly or indirectly for recipients of medical assistance.

At this time, the full fiscal impact of this bill is indeterminate depending on the purchasing power and competitiveness of OPDP.

Oregon Health Authority (OHA)

Passage of SB 1577 is anticipated to have no fiscal impact on the Oregon Educators Benefit Board (OEBB). OHA reports that OEBB currently participates in OPDP through ODS companies to provide prescription drugs for seven of the medical plans offered to members. The remaining medical plans are

administered by Providence Health Plans and Kaiser Permanente Northwest. Providence purchases prescription drugs for the medical plans they administer through separate purchasing arrangements because they are able to obtain greater discounts and cost savings. Kaiser Permanente Northwest is a Health Maintenance Organization and is not required to participate in OPDP.

The fiscal impact of SB 1577 on the Public Employee's Benefit Board (PEBB) is indeterminate. OHA reports that further analysis is required to determine if OPDP would represent an opportunity for savings when compared to PEBB's current arrangement for providing prescription drug benefits.

Department of Corrections (DOC), Oregon Youth Authority (OYA)

The two state agencies that are the largest purchasers of prescription drugs are the Department of Corrections and the Oregon Youth Authority. Currently, the Department of Corrections (DOC) purchases medications required to meet inmate needs through the Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP) which has members in over 30 states. MMCAP discounts are based on the total purchases of all of a particular state's participants. Within the state of Oregon, DOC and several Oregon county and municipal governments participate. Withdrawal of DOC participation would reduce the "Oregon Purchase" and would likely negatively impact the pricing available to the other Oregon participants. In addition, DOC is currently working with the Oregon Youth Authority (OYA) to develop an interagency agreement that enables DOC to provide pharmacy services and supplies to OYA

SB 1577 exempts any agency that can demonstrate that its purchasing arrangements will result in greater discounts and aggregate cost savings than would be realized through OPDP. As directed by the 2011 Legislature, DOC is working on a comparison of drug costs between OPDP's Group Purchasing Organization, Premier, and MMCAP. This comparison and analysis should be completed by May 2012.

In summary, although currently state agencies are working with OHA to participate in OPDP, at this time, the potential cost savings, if any, that can be realized by DOC, OYA and other state agencies by contracting with OPDP cannot be quantified.