

## Legislative Fiscal Office

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## Joint Committee on Ways and Means

Sen. Betsy Johnson, Senate Co-Chair  
Sen. Elizabeth Steiner Hayward, Senate Co-Chair  
Rep. Dan Rayfield, House Co-Chair

Sen. Jackie Winters, Senate Co-Vice Chair  
Rep. David Gomberg, House Co-Vice Chair  
Rep. Greg Smith, House Co-Vice Chair

**To:** Human Services Subcommittee

**From:** Tom MacDonald, Legislative Fiscal Office

**Date:** June 10, 2019

**Subject:** SB 872 – Relating to the cost of prescription drugs

Senate Bill 872 implements certain recommendations from the Task Force on Fair Pricing of Prescription Drugs, which was established in 2018 to develop a strategy to create transparency for prescription drug prices. In general, the bill establishes distinct requirements regarding the reporting and/or disclosure of prescription drug cost and other information from medical providers, health insurance carriers, pharmaceutical manufacturers, pharmacy benefit managers, and patient advocacy groups.

The bill also requires the Public Employees' Benefit Board (PEBB), Oregon Educators Benefit Board (OEBB), Oregon Prescription Drug Program, and coordinated care organizations to use only fee-for-service pharmacy benefit managers. These pharmacy benefit managers are required to pass through to the boards rebates, incentives, or discounts offered by pharmaceutical manufacturers. Additionally, PEBB, OEBB, and the Department of Corrections are required to annually report each agency's prescription drug expenditures, which the Pharmacy and Therapeutics Committee in the Oregon Health Authority (OHA) will evaluate as part of determinations of any preferred drug list.

The bill is expected to have a fiscal impact on OHA's All Payer All Claims (APAC) and Oregon Prescription Drug programs. This includes costs of \$390,534 General Fund in 2019-21 for two full-time positions (1.50 FTE) in the APAC program to collect, maintain, process, and report the data submitted by providers. The cost impact on the Oregon Prescription Drug program is currently indeterminate. If passage of the bill results in coordinated care organizations and other state-sponsored programs leveraging the program, OHA will need additional staff and resources to service the participating entities.

The Oregon Government Ethics Commission anticipates it will need to modify its electronic filing system to comply with provisions related to patient advocacy groups and registered lobbyists. At this time, the commission is expected to have sufficient Other Funds reserve to cover these costs. The cost impact on PEBB, OEBB, and the Department of Consumer and Business Services (DCBS) is indeterminate.

The -8 amendment makes several changes to the bill, which are not anticipated to change the fiscal impact. These changes involve:

- Updating definitions;
- Adding further information for carrier formulary reports/notifications;
- Replacing the disclosure of price in drug advertisement requirement with a requirement that carriers offering individual and small employer health plans report administrative expenses to DCBS;
- Directing the Task Force on Fair Pricing of Prescription Drugs to evaluate legislation that was intended to address drug cost transparency and additional strategies to reduce drug costs for Oregonians;
- Requiring insurers and health benefit plans to annually report to DCBS on drug costs and utilization; and
- Updating requirement related to the registration of pharmaceutical manufacturers with DCBS.

The -9 amendment establishes a General Fund appropriation of \$390,534 in OHA to support the bill's estimated fiscal impact.

### **Recommended Amendments**

LFO recommends adoption of the -8 amendment.

**MOTION: I move adoption of the -8 amendment to SB 872 (VOTE)**

LFO recommends adoption of the -9 amendment.

**MOTION: I move adoption of the -9 amendment to SB 872 (VOTE)**

### **Final Subcommittee Action**

LFO recommends that SB 872, as amended by the -8 and -9 amendments, to be moved to the Ways and Means Full Committee.

**MOTION: I move SB 872, as amended, to the Full Committee with a do pass recommendation. (VOTE)**

### **Carriers**

Full Committee: \_\_\_\_\_

House Floor: \_\_\_\_\_

Senate Floor: \_\_\_\_\_