

Legislative Fiscal Office

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Joint Committee on Ways and Means

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Rep. Greg Smith, House Co-Vice Chair

To: Capital Construction Subcommittee

From: Tom MacDonald, Legislative Fiscal Office

Date: June 19, 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 strategies to increase the transparency of prescription drug prices across the supply chain. In general, the measure establishes requirements for the reporting and/or disclosure of prescription drug costs and other information from medical providers, health insurance carriers, pharmaceutical drug manufacturers, pharmacy benefit managers, patient advocacy organizations, and pharmacies. The measure also establishes a consumer's right to be educated by a pharmacy about all means available to reduce the cost for a prescribed drug.

The bill requires the Public Employees' Benefit Board, Oregon Educators Benefit Board, Oregon Prescription Drug Program, and coordinated care organizations (CCOs) to only use fee-only pharmacy benefit managers, which are required to pass through any rebates, incentives, or discounts offered by manufacturers. Additionally, the bill includes drug expenditure reporting requirements for state agencies and requires the evaluation of CCO drug expenditures as part of determinations for preferred drug lists used by the Oregon Health Authority (OHA).

The measure does not include an emergency clause but does include multiple operative dates.

Fiscal Impact: The bill is expected to have a fiscal impact of \$390,534 General Fund and two positions (1.50 FTE) in 2019-21 for OHA related to collecting, processing, and reporting data submitted by providers. There are also indeterminate aspects of the fiscal impact related to a potential increase in the use of OHA's Prescription Drug Program.

The Oregon Government Ethics Commission anticipates modifying its electronic filing system to comply with provisions related to patient advocacy organizations. At this time, the commission is expected to have sufficient Other Funds reserves to cover these costs. The impact on the Department of Consumer and Business Services (DCBS) is currently indeterminate.

Recommended Changes: The -8 amendment makes several changes to the bill which do not affect the fiscal impact. At a high level, these changes involve:

- Adjusting the information required to be reported by manufacturers on prescription drug costs and patient assistance programs, as well as information reported by medical providers related to frequently prescribed drugs and high-cost drugs;
- Adding a requirement for insurers to provide DCBS information on rebates used to offset out-of-pocket costs or otherwise directly benefit enrollees;
- Extending the sunset on the Task Force to December 31, 2021 and directing it to review legislation enacted in the 2019 legislative session intended to address the transparency of drug costs and evaluate additional strategies to lower costs;
- Requiring insurers to include certain information regarding drug costs and utilization in reports submitted to DCBS; and
- Updating requirements for 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: _____