

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.175 An act relating to the wholesale importation of prescription drugs into Vermont, bulk purchasing, and the impact of prescription drug costs on health insurance premiums

As passed the Senate

Sec. 1 of the bill requires the Agency of Human Services (AHS), with interested stakeholders and appropriate federal authorities, to design a wholesale prescription drug importation program. It requires AHS to submit the proposed design to the legislature by January 1, 2019 and a formal request to the U.S. Department of Health and Human Services (HHS), by July 2019, for certification as well as seek appropriate federal approvals, waivers, exemptions, or agreements, or a combination thereof, as needed to enable all covered entities enrolled in or eligible for the federal 340b Drug Pricing Program to participate in the state's wholesale drug importation program. Upon certification and approval by HHS, AHS shall begin implementing the program which will begin operations within 6 months of approval.

This section also requires AHS, in designing the program, to establish a fee for each prescription or establish another financing mechanism to ensure that the program is funded adequately in a manner that does not jeopardize significant consumer savings.

Sec. 2 establishes a bulk purchasing program for prescription drugs in the Department of Health (VDH). It also allows the department to charge a nominal fee to process application for enrollment in the program and produce and distribute identification cards for the program.

Fiscal Impacts

FY 2019 = \$150,000 to \$250,000 (one-time)

FY 2020 = To be determined

Sec. 2a requires AHS and VDH to implement Sec. 1 and Sec. 2 "only to the extent that funds are appropriated for either or both purposes in the budget bill enacted by the General Assembly for fiscal year 2019."

Utah

H.B. 163, which passed the Utah House of Representatives on February 14, also envisions establishing a drug importation program similar to the one proposed in S.175.¹ H.B. 163 also includes language requiring an in depth feasibility study which is not currently in S.175. Utah's Office of the Legislative Analyst (OLA) estimated a one-time cost of \$517,500 (general funds) in FY

¹ https://le.utah.gov/~2018/bills/hbillint/HB0163S02_ComparedWith_HB0163S01.pdf

2018. The National Academy for State Health Policy (NASHP) has spoken with an organization that said it would charge approximately \$125,000 if hired by Utah to help design such an importation program, but agreed that other companies would likely charge more.

Representatives from AHS have testified that they lack the capacity, resources, and expertise to implement such a program in Vermont. Looking at the amount Vermont spent on consultants between FY 2012 and FY 2015 for planning, designing, and analyzing Green Mountain Care, we think that \$125,000 to \$250,000 is more in line with potential one-time costs Vermont official might need for hiring expertise to assist in the planning and design of this program.²

If the federal government approves the states plan then additional resources such as staff and consultants would likely be needed to move forward with this no earlier than FY 2020. In Utah, the OLA estimates implementation costs of approximately \$1.5 million, most of which are one-time costs (programming changes at Medicaid, etc.) and some of which are on-going costs (regulatory functions). The OLA also estimated the state raising approximately \$1.1M through fees and credits.

At this time we do not know what the on-going costs would be to implement the program if it were to receive federal approval. The bill also allows AHS and VDH to establish fees to cover the costs of the program which are yet to be determined.

Vermont Agency of Human Services

The Vermont Agency of Human Services (AHS) released a preliminary draft estimate (which is subject to change) of \$1,055,000 to \$1,234,000. This includes the cost of hiring consultants with expertise in wholesale businesses (\$416,000-\$520,000) and negotiations with federal partners (\$48,000) and adding as much as 3 staff for the wholesale importation program and 3.5 staff for the bulk purchasing program. The estimates have the caveat that some of the costs may be duplicative depending on which department in AHS ultimately manages the program and process. They estimate the timeline for design, development, certification and implementation is 18 to 24 months and while the estimate is for FY 2019, the costs may be more representative of an 18 to 24 month time period.

² Between 2013 and 2015, the State of Vermont spent a little of over \$1 million on as many as 10 different consultants in planning, designing, and analyzing the potential impacts of Green Mountain Care.