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H.B. 92
135th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsors: Reps. Young and Santucci

Local Impact Statement Procedure Required: No

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Highlights

- The State Board of Pharmacy will incur initial costs to start up the Canadian Prescription Drug Importation Program. If federal approval is obtained, there would also be ongoing annual costs for overseeing the program. These costs include staff necessary for program oversight and the fee to be negotiated with the third-party entity contracted to establish and administer the program.
- The bill appropriates $2.0 million from the GRF in FY 2024 to the Board for the program's operation.
- Conditional upon federal approval of the program, state agencies and local governments may realize savings through lower prescription drug costs if the program is implemented.

Detailed Analysis

The bill requires the State Board of Pharmacy to develop a program for the importation of prescription drugs from Canada and appropriates $2.0 million in FY 2024 to the Board for that purpose.

State Board of Pharmacy

The bill requires the Board to: (1) adopt rules as necessary to implement the Canadian Prescription Drug Importation Program, (2) contract with a third-party entity to establish and administer the program, (3) submit a report regarding the program's administration to certain members of the General Assembly not later than 18 months after the bill's effective date and annually thereafter, (4) make certain program information available on its website, including periodic updates, and (5) engage in a public awareness program. The Board will incur costs to oversee this new program including the need for additional staff. The Board estimates that an additional staff person with the requisite expertise may cost approximately $100,000 per year in salary and benefits. The majority of the administrative costs of the program will be borne by the third-party entity as described below.

Third-party entity contract

The bill requires the Board to contract with a third-party entity to develop, establish, and administer the program. The bill establishes the responsibilities of the third party and requires that it must have previously assisted one or more other states in developing, establishing, or administering a prescription drug importation program. The third-party entity is required to apply to the U.S. Department of Health and Human Services for approval and certification of the program not later than four months after the effective date of the bill. If the program is approved and certified, the third-party entity is to establish and administer the program not later than six months after receipt of approval and certification.

Fees for administering the program will be negotiated between the entity and the Board. The fee must be either a markup of the drugs purchased or a percentage of the savings achieved under the program, as calculated by the Board in consultation with the Department of Administrative Services (DAS). Costs to the Board and DAS to negotiate payment to the third-party entity are likely to be minimal at most for both agencies.

Appropriation

The bill appropriates to the Board $2.0 million to new GRF appropriation item 887403, Prescription Drug Importation Program. However, funding for the program is only authorized for FY 2024. Presumably, future contracting costs would be derived via the negotiated fee process outlined above.

State agency drug price negotiations and purchases

The bill permits the third-party entity selected by the Board to negotiate prices for and purchase prescription drugs on behalf of state agencies on request of the Board, acting in consultation with DAS. The drugs must be obtained from manufacturers whose drugs have been approved for use in the United States by the Federal Drug Administration. The third-party entity is to be compensated for such negotiations and purchases in the same amount as it is compensated for administering the program.

Potential savings

State agencies and programs, and local governments, as noted below, may realize savings through lower prescription drug costs if the importation program is implemented.

- **State employee group health insurance.** If the importation program allows state employees to purchase less expensive pharmaceuticals, costs for state employee group health insurance may decrease.
- **State public health care programs.** Programs with prescription drug coverage for eligible recipients, including Medicaid and the Children's Health Insurance Program, may have savings from lower pharmaceutical costs if the importation program is implemented. The state Medicaid Program currently receives rebates on pharmaceuticals that reduce costs by nearly 50% compared to the retail prices. It is unknown if wholesale importation from Canada will result in greater savings than from currently available rebates for domestically

obtained pharmaceutical products. Medicaid expenditures are also jointly funded by the state and federal governments, and the federal government typically pays for about 63% of Medicaid expenditures. Thus, only a portion of any savings would be direct savings of state funds.

- **Other state agencies that directly or indirectly purchase prescription drugs.** The Department of Mental Health and Addictions Services, the Department of Rehabilitation and Correction, the Department of Youth Services, the Ohio Veterans Homes, the Department of Developmental Disabilities, and any other state agency that purchases pharmaceuticals, may see a decrease in prescription drug costs.
- **Local governments.** Political subdivisions that offer health insurance as an employee benefit or purchase prescription drugs may realize savings under the bill if the importation program is implemented.

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