FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 2638**

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Permits medical assistance recipients and coordinated care organizations to use Oregon Prescription Drug Program.

Government Unit(s) Affected:
Oregon Health Authority (OHA)

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:
House Bill 2638 removes restrictions prohibiting the Oregon Health Authority to purchase prescription drugs directly or indirectly through the Oregon Prescription Drug Program (OPDP) for recipients of Medicaid, therefore expanding the use of OPDP to include the Medical Assistance Program (MAP). In addition, the bill permits OHA to deny reimbursement for a legend drug prior to the date the authority, based on the recommendation of the Pharmacy and Therapeutics Committee, formally adds the drug to the Practitioner-Managed Prescription Drug Plan (Preferred Drug List/PDL) for medical assistance program, or six months after the date the United States Food and Drug Administration (FDA) approves the drug for marketing, whichever date is earlier. The bill takes effect January 1, 2016.

The fiscal impact of this bill is indeterminate. Passage of this bill would not result in any new or increased costs to OPDP, and the Medical Assistance Program could benefit from group pricing through OPDP. However, any savings cannot be quantified.

The bill is not explicit whether Coordinated Care Organizations (CCOs) would be able to access OPDP. If CCOs are permitted to access OPDP, CCOs would contract with OPDP Pharmacy Benefit Manager (PBM), which could result in some potential savings for CCOs through group pricing, and CCOs could save on their costs of contracting with a PBM to perform this work. However, the amount of achievable savings is unknown and would be specific to each CCO.

The provisions of the bill that permits OHA to deny payment for a prescription drug for up to six months following approval by the FDA, allowing the Medicaid fee for service program to restrict coverage for up to six-months for a new prescription drug following FDA approval, would provide time for the Pharmaceutical and Therapeutics Committee to review the drug to recommend any prior authorization (PA) criteria, utilization controls, and if necessary placement on the Preferred Drug List (PDL). Centers for Medicare and Medicaid Services (CMS) approval would be required in order for fee for service to comply with the requirements of withholding payment for medications that are manufactured by labelers participating in the Federal rebate program. This provision of the bill may reduce the Medical Assistance Programs' exposure for reimbursement on high-cost new medications without restrictions, leading to expensive therapies that are neither medically necessary nor appropriate. However any potential reduction of expenses cannot be determined.