SB 533 STAFF MEASURE SUMMARY

Senate Committee On Health Care

Prepared By: Daniel Dietz, LPRO Analyst
Meeting Dates: 3/6

WHAT THE MEASURE DOES:

Prohibits drug manufacturers from restricting access to or imposing utilization review on 340B drugs to be acquired by a pharmacy contracted with a covered entity.

- Prohibits a prescription drug manufacturer or third party from restricting a pharmacy contracted with a 340B entity from acquiring 340B drugs unless otherwise prohibited by the US Department of Health and Human Services (HHS).
- Prohibits a prescription drug manufacturer or third party from imposing utilization review unless otherwise required by HHS. unless claims or utilization review is required by the US Department of Health and Human Services.
- Allows the State Board of Pharmacy to impose a $5,000 civil penalty on manufacturers for violations.

Fiscal impact: May have fiscal impact, no statement yet issued.
Revenue impact: May have revenue impact, no statement yet issued.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In 1990, Congress created the Medicaid drug rebate program to lower the cost of pharmaceutical drugs purchased by state Medicaid program. The program requires drug manufacturers to enter into a rebate agreement with Department of Health and Human Services as a prerequisite for having coverage of a drug by Medicaid and Medicare Part B. Under the program, drug manufacturers must pay rebates to state Medicaid programs that are based on the manufacturer's "best price" for the drug.

In 1992, the cost relief provided by the Medicaid drug rebate program was extended to safety-net providers through the passage of Section 340B of the Public Health Service Act. Under 340B, drug manufacturers give front-end discounts on specified outpatient drugs purchased by "covered entities," which includes federally qualified health centers and other specified programs and entities that serve vulnerable populations.

Senate Bill 533 prohibits drug manufacturers from imposing utilization review or restricting access to 340B drugs for covered entities.