



Senate

General Assembly

File No. 422

January Session, 2003

Substitute Senate Bill No. 1123

Senate, April 16, 2003

The Committee on Public Health reported through SEN. MURPHY of the 16th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ACCESS TO LOW-COST PRESCRIPTION DRUGS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2003*) (a) There is established,
2 within the Connecticut Health and Educational Facilities Authority, a
3 revolving loan program for the purpose of providing loans to federally
4 qualified health centers to establish pharmacy facilities or a
5 partnership with a community pharmacy. Such program shall be
6 funded by the authority in an amount not to exceed five hundred
7 thousand dollars and such amount shall be deposited in the account
8 established pursuant to subsection (b) of this section. The program
9 shall be administered by the authority to provide loans to federally
10 qualified health centers for the cost of establishing a pharmacy facility
11 or a partnership with a community pharmacy to serve as a centralized
12 prescription drug distributor for federally qualified health centers that
13 have established affordable pharmaceutical drug programs for
14 qualified low income patients of such centers pursuant to Section 340B

15 of P.L. 102-585. Not more than four pharmacy facilities may be
16 established pursuant to this program.

17 (b) (1) There is established the federally qualified health centers loan
18 account that shall contain any moneys required by law to be deposited
19 in the account pursuant to subsection (a) of this section, and may
20 contain any other funds as provided in subdivision (2) of this
21 subsection. Any balance remaining in the account at the end of any
22 fiscal year shall be carried forward in the account for the fiscal year
23 next succeeding. Payments made on any loans made pursuant to this
24 section shall be deposited in the account.

25 (2) The authority may accept contributions from any source, public
26 or private, for deposit in the account for purposes of such program.

27 (c) A federally qualified health center may apply for a loan pursuant
28 to this section for not more than one hundred twenty-five thousand
29 dollars. Such loan shall be for a period of not less than four years, and
30 not more than ten years. The proceeds of such loan shall be used for
31 the purchase or lease of computers, automated medication dispensing
32 equipment, inventory and other costs associated with the start-up of a
33 pharmacy facility.

34 (d) The authority shall adopt procedures, in accordance with
35 chapter 12 of the general statutes, to carry out the provisions of this
36 section.

37 Sec. 2. (NEW) (*Effective October 1, 2003*) (a) The Commissioner of
38 Social Services shall assist any federally qualified health center that is
39 applying for a loan pursuant to section 1 of this act by providing
40 nonindividual identifying information concerning potential
41 participants in the affordable pharmaceutical drug program.

42 (b) Not later than October 1, 2004, and annually thereafter, the
43 Commissioner of Social Services shall submit a report, in accordance
44 with section 11-4a of the general statutes, to the joint standing
45 committees of the General Assembly having cognizance of matters

46 relating to public health, human services and appropriations and the
47 budgets of state agencies, providing an estimate of the savings to the
48 state if all federally qualified health centers were participating in an
49 affordable pharmaceutical drug program, and the actual savings to the
50 state from affordable pharmaceutical drug programs established by
51 federally qualified health centers.

52 Sec. 3. Section 10a-180 of the general statutes is repealed and the
53 following is substituted in lieu thereof (*Effective October 1, 2003*):

54 The purpose of the authority shall be to assist institutions for higher
55 education, health care institutions, nursing homes, child care or child
56 development facilities, and qualified nonprofit organizations in the
57 construction, financing and refinancing of projects, and [for this
58 purpose] to provide loans pursuant to the revolving loan program
59 established in section 1 of this act, and for these purposes the authority
60 is authorized and empowered:

61 [(a)] (1) To have perpetual succession as a body politic and
62 corporate and to adopt bylaws for the regulation of its affairs and the
63 conduct of its business;

64 [(b)] (2) To adopt an official seal and alter the same at pleasure;

65 [(c)] (3) To maintain an office at such place or places as it may
66 designate;

67 [(d)] (4) To sue and be sued in its own name, and plead and be
68 impleaded;

69 [(e)] (5) To determine the location and character of any project to be
70 financed under the provisions of this chapter, and to construct,
71 reconstruct, renovate, replace, maintain, repair, operate, lease, as lessee
72 or lessor, and regulate the same, to enter into contracts for any or all of
73 such purposes, to enter into contracts for the management and
74 operation of a project, and to designate a participating institution for
75 higher education, a participating health care institution, a participating
76 corporation, a participating nursing home or a participating qualified

77 nonprofit organization as its agent to determine the location and
78 character of a project undertaken by such participating institution for
79 higher education, by such participating health care institution, by such
80 participating corporation, by such participating nursing home or by
81 such participating qualified nonprofit organization under the
82 provisions of this chapter and as the agent of the authority, to
83 construct, reconstruct, renovate, replace, maintain, repair, operate,
84 lease, as lessee or lessor, and regulate the same, and, as the agent of the
85 authority, to enter into contracts for any or all of such purposes,
86 including contracts for the management and operation of such project;

87 [(f)] (6) To issue bonds, bond anticipation notes and other
88 obligations of the authority for any of its corporate purposes, and to
89 fund or refund the same, all as provided in this chapter;

90 [(g)] (7) Generally, to fix and revise from time to time and charge
91 and collect rates, rents, fees and charges for the use of and for the
92 services furnished or to be furnished by a project or any portion
93 thereof and to contract with any person, partnership, association or
94 corporation or other body public or private in respect thereof;

95 [(h)] (8) To establish rules and regulations for the use of a project or
96 any portion thereof and to designate a participating institution for
97 higher education, a participating health care institution, a participating
98 corporation, a participating nursing home or qualified nonprofit
99 organization as its agent to establish rules and regulations for the use
100 of a project undertaken by such participating institution for higher
101 education, by such participating health care institution, by such
102 participating corporation or by such participating nursing home or by
103 such participating qualified nonprofit organization;

104 [(i)] (9) To employ consulting engineers, architects, attorneys,
105 accountants, construction and financial experts, superintendents,
106 managers, and such other employees and agents as may be necessary
107 in its judgment, and to fix their qualifications, duties and
108 compensation;

109 [(j)] (10) To receive and accept from any public agency insurance,
110 loans or grants for or in aid of the construction of a project or any
111 portion thereof, and to receive and accept loans, grants, aid or
112 contributions from any source of either money, property, labor or
113 other things of value, to be held, used and applied only for the
114 purposes for which such loans, grants, aid and contributions are made;

115 [(k)] (11) To mortgage any project and the site thereof for the benefit
116 of the holders of bonds issued to finance such project;

117 [(l)] (12) To make loans to any participating institution for higher
118 education, to any participating health care institution, to any
119 participating corporation, to any participating nursing home and to
120 any participating qualified nonprofit organization for the cost of a
121 project in accordance with an agreement between the authority and
122 such participating institution for higher education, such participating
123 health care institution, such participating corporation, such
124 participating nursing home or such participating qualified nonprofit
125 organization and to utilize the services of an agent in making such
126 loans or to agree to purchase federally guaranteed securities from any
127 third parties making such loans; provided no such loan shall exceed
128 the total cost of the project as determined by the participating
129 institution for higher education, the participating health care
130 institution, the participating corporation, the participating nursing
131 home or the participating qualified nonprofit organization, and
132 approved by the authority;

133 [(m)] (13) To make loans to a participating institution for higher
134 education, to a participating health care institution, to a participating
135 corporation, to a participating nursing home or to a participating
136 qualified nonprofit organization, to refinance or refund outstanding
137 obligations or mortgages on the project, or advances issued for the cost
138 of a project, made or given by such participating institution for higher
139 education, such participating health care institution, such participating
140 corporation, such participating nursing home or such participating
141 qualified nonprofit organization, to utilize the services of an agent in

142 making such loans or to agree to purchase federally guaranteed
143 securities from any third parties making such loans and to create a
144 security interest in revenues to be pledged to the authority;

145 [(n)] (14) To charge to and equitably apportion among participating
146 institutions for higher education, participating health care institutions,
147 participating corporations, participating nursing homes and
148 participating qualified nonprofit organizations its administrative costs
149 and expenses incurred in the exercise of the powers and duties
150 conferred by this chapter;

151 [(o)] (15) To acquire and to agree to acquire any federally
152 guaranteed security and to pledge or otherwise use any such federally
153 guaranteed security in such manner as the authority deems in its best
154 interest to secure or otherwise provide a source of repayment on any of
155 its bonds or notes or to agree to make a loan to any participating
156 institution for higher education, participating health care institution,
157 participating corporation, participating nursing home or participating
158 qualified nonprofit organization for the purpose of acquiring and
159 entering into commitments to acquire any federally guaranteed
160 security; provided that any agreement entered into pursuant to this
161 subdivision may contain such provisions as are deemed necessary or
162 desirable by the authority for the security or protection of the authority
163 or the holders of its bonds or notes; provided further that the
164 authority, prior to making any such acquisition, commitment or loan,
165 shall agree with any such participating institution for higher
166 education, participating health care institution, participating
167 corporation, participating nursing home or participating qualified
168 nonprofit organization or any other appropriate institution or
169 corporation to require that the proceeds derived from the acquisition
170 of any such federally guaranteed security will be used for the purpose
171 of financing or refinancing any project for such participating
172 institution for higher education, participating health care institution,
173 participating corporation, participating nursing home or participating
174 qualified nonprofit organization;

175 [(p)] (16) To do all things necessary or convenient to carry out the
176 purposes of this chapter. In carrying out the purposes of this chapter,
177 the authority may undertake a project for two or more participating
178 institutions for higher education jointly, two or more participating
179 health care institutions jointly, two or more participating corporations
180 jointly, two or more participating nursing homes jointly or two or
181 more participating qualified nonprofit organizations jointly, or for any
182 combination thereof of participating institutions for higher education,
183 participating health care institutions, participating corporations,
184 participating nursing homes or participating qualified nonprofit
185 organizations, and, thereupon, all other provisions of this chapter shall
186 apply to and for the benefit of the authority and such joint participants;

187 [(q)] (17) To make loans to any participating health care institution,
188 to any participating institution for higher education, to any
189 participating corporation, or to any participating qualified nonprofit
190 organization which is organized, controlled or supervised by a health
191 care institution or an institution of higher education to finance or
192 refinance the cost of a project to be used to provide housing and
193 auxiliary facilities for staff members, employees or students of any
194 such health care institution or institution of higher education and their
195 immediate families, for physically or mentally handicapped persons or
196 for any one or more of the above purposes;

197 [(r)] (18) To make and enter into all contracts and agreements
198 necessary or incidental to the performance of its duties and the
199 execution of its powers under its enabling legislation, including
200 contracts and agreements for such professional services as financial
201 consultants, bond counsel, underwriters, technical specialists, as the
202 board of directors shall deem necessary;

203 [(s)] (19) To invest any funds not needed for immediate use or
204 disbursement, including reserve funds, in obligations issued or
205 guaranteed by the United States of America or the state of Connecticut,
206 including the state's Short-Term or Long-Term Investment Fund, and
207 in other obligations which are legal investments for savings banks in

208 this state, or in investment agreements with financial institutions
 209 whose short-term obligations are rated within the top two rating
 210 categories of any nationally recognized rating service or of any rating
 211 service recognized by the state Commissioner of Banking, or
 212 investment agreements fully secured by obligations of, or guaranteed
 213 by, the United States or agencies or instrumentalities of the United
 214 States or in securities or obligations which are legal investments for
 215 savings banks in this state, subject to repurchase agreements in the
 216 manner in which such agreements are negotiated in sales of securities
 217 in the market place, provided that the authority shall not enter into any
 218 such agreement with any securities dealer or bank acting as a securities
 219 dealer unless such dealer or bank is included in the list of primary
 220 dealers, effective at the time of such agreement, as prepared by the
 221 Federal Reserve Bank of New York;

222 [(t)] (20) To adopt regular procedures for exercising its power under
 223 its enabling legislation not in conflict with existing statutes.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>
Sec. 3	<i>October 1, 2003</i>

Statement of Legislative Commissioners:

In subsection (a) of section 1 language was added to require the funds to be deposited in the account established in subsection (b) for consistency with the general statutes format for accounts and technical corrections were made in subsection (a) of section 2 for accuracy.

PH *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Social Services, Dept.	GF - Savings	Potential	Potential
Social Services, Dept.	GF - Cost	Minimal	Minimal
Connecticut Health and Educational Facilities Authority	See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes a Federally Qualified Health Centers Loan (FQHCL) account, which will be administered by the Connecticut Health and Educational Facilities Authority (CHEFA). Up to \$500,000 is to be deposited into the account, presumably to be allocated from CHEFA’s reserves and other unspecified public or private contributions. The account is to be nonlapsing.

Loans of up to \$125,000 may be made from the account to federally qualified health centers for pharmacy start-up costs. A maximum of four pharmacy facilities may be established. Any loan shall be for a period of four to ten years. CHEFA would be required to adopt procedures to carry out the new loan program.

It is anticipated that CHEFA will have sufficient reserves to finance the FQHCL account. No other public or private contributors are identified at this time. The Authority receives neither bond funds nor appropriations from the state’s General Fund. It finances its operation by charging fees based on the outstanding balance of revenue bonds issued on behalf of its clients.

The bill requires the Department of Social Services (DSS) to provide

to any Federally Qualified Health Center (FQHC) that is applying for a loan certain information concerning potential participants in the affordable pharmaceutical drug program. DSS must also annually report to the General Assembly certain information concerning potential savings from the affordable pharmaceutical drug program. These requirements will lead to minimally increased administrative costs to DSS.

Currently, three of the state's twelve FQHCs operate pharmacies. These FQHCs can purchase certain drugs based on a price list compiled by the federal government. The prices on this list are often substantially lower than the prices paid by DSS under the Medicaid, State Administered General Assistance, ConnPACE or Connecticut Aids Drug Assistance programs. To the extent that additional FQHCs develop pharmacy services, and enrollees in these programs utilize the FQHC pharmacies rather than currently available pharmacies, significant savings may result for all these programs. It should be noted that nothing in the bill requires enrollees in these programs to utilize FQHC pharmacies.

OLR Bill Analysis

sHB 1123

AN ACT CONCERNING ACCESS TO LOW-COST PRESCRIPTION DRUGS**SUMMARY:**

This bill establishes a revolving loan program to provide loans to federally qualified health centers (FQHCs) to establish pharmacies or enter into partnerships with community pharmacies. The loan program is administered by the Connecticut Health and Educational Facilities Authority (CHEFA), which can capitalize it with up to \$500,000. The bill specifies that up to four pharmacy facilities can be established under this program.

FQHCs are community health centers that receive federal funding and meet specific federal criteria including the services they provide. Federal law (see BACKGROUND) allows certain entities, such as FQHCs, to purchase drugs at discounted prices through creation of an in-house pharmacy or through a contractual agreement with a retail pharmacy.

The Department of Social Services (DSS) must assist FQHCs applying for a loan and must report on the program to various legislative committees.

EFFECTIVE DATE: October 1, 2003

REVOLVING LOAN PROGRAM

The bill authorizes CHEFA to provide loans to FQHCs for the cost of establishing a pharmacy facility or for entering into a partnership with a community pharmacy. ("Community pharmacy" is not defined in the bill.) Under the bill, the pharmacy serves as a centralized prescription drug distributor for FQHCs that have affordable drug programs for qualified low-income patients of the centers according to federal law ("§ 340B" of the Public Health Service Act). An FQHC can apply for a loan of up to \$125,000, with a term between four and 10 years. The loan proceeds can be used to purchase or lease computers,

automated medication dispensing equipment, and inventory and for other costs of starting a pharmacy. No more than four pharmacy facilities can be established under this program under the bill.

The bill establishes a separate account to hold program funds. CHEFA can accept contributions from any public or private source for deposit into the program. Any balance remaining in the account at the end of any fiscal year must be carried forward for the next fiscal year. Loan repayments must be deposited in the account.

CHEFA must adopt procedures to carry out its responsibilities under the bill.

DSS RESPONSIBILITIES

The DSS commissioner must assist any FQHC applying for a loan by providing nonindividually identifiable information about potential participants in the affordable pharmaceutical drug program. The bill also requires DSS to report annually to the Public Health, Human Services, and Appropriations committees, beginning October 1, 2004, on the actual savings to the state from FQHC affordable drug programs and estimated savings if all FQHCs were participating in such programs.

BACKGROUND

§ 340B Drug Program

Section 340B of the federal Public Health Service Act requires drug manufacturers to enter into agreements with the Department of Health and Human Services (HHS) to provide outpatient drugs to covered entities at discounted prices. FQHCs are specifically included under the federal law as covered entities eligible to purchase drugs at discounted prices. Generally, these prices are at least as good as the prices paid by state Medicaid agencies. An FQHC must adhere to certain requirements to receive the discounted pricing. It must be the purchaser and owner of the covered drugs, and these drugs must be dispensed only to patients of the health center.

Most FQHCs with their own licensed in-house pharmacy purchase drugs at these discounted prices. Other FQHCs, which do not operate in-house pharmacies, purchase drugs at these prices through

contractual agreements, which they have developed with retail pharmacies, that meet certain federal “contracted pharmacy guidelines.”

COMMITTEE ACTION

Public Health Committee

Joint Favorable Substitute

Yea 21 Nay 0