

# OFFICE OF FISCAL ANALYSIS

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SB-197

AN ACT CONCERNING BIOLOGICAL PRODUCTS.

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## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Consumer Protection, Dept.	GF - Cost	up to \$250,000	None

Note: GF=General Fund

**Municipal Impact:** None e, See Out-Years

### **Explanation**

The substitution provisions of the bill are not anticipated to result in a fiscal impact to the state employee or retiree health plan in FY 19 and FY 20 because biological product substitutions are not anticipated given (1) the structure of the pharmacy benefit and (2) the availability of interchangeable biologics in the market. Under the state employee and retiree plan's four-tiered structure (preferred generic, generic, brand, and preferred brand) currently available biologics are in the preferred brand tier with identical out-of-pocket costs to the consumers. As such, the structure of the pharmacy plan and current classification of available biologics do not provide for savings to be passed on to the consumer (e.g. purchaser), which is a condition of substitution in subsection (h) of the bill. The provisions of the bill are not anticipated to result in a fiscal impact to municipal health plans in the near term.

While substitution is not anticipated in the near term, as discussed above, there could be an impact to the state and municipalities contingent on the recommendations adopted regarding the delivery of

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3/27/18

interchangeable biologics via mail order and the ability to meet the bill's substitution requirements. The state employee and retiree health plan utilizes mail order for prescriptions classified as maintenance medications as a cost control mechanism. To the extent mail order is prohibited for interchangeable biologics it will preclude the state from achieving savings. The total estimated annual savings from mail order pharmacy in the state health plan, based on the data available, after adjusting for growth in pharmacy expenditures is approximately \$13 million.

Lastly, the bill requires the Commissioner of DCP to conduct a study on the delivery of interchangeable biological products through mail order on patients. The bill will result in a cost of up to \$250,000 in FY 19 to the Department of Consumer Protection (DCP) depending on the methods used in the study. DCP does not have research staff or the expertise to conduct the study and will need to hire a consultant.

There is no cost to DCP to adopt regulations regarding substituting biological products as the agency has expertise in this area.

### ***The Out Years***

There is no cost to DCP in the out years as the study requirements end as of 12/31/19.

The fiscal impact to the state and municipal health plans in the out years will depend on (1) the availability of interchangeable biologic products in the marketplace, (2) their classification under the pharmacy benefit portion of the state and municipal health plans and (3) the ability for interchangeable biologics to be provide via mail order.