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sSB-8
AN ACT CONCERNING DRUG AFFORDABILITY.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

The bill makes changes to address prescription drug affordability that results in various impacts described below.

Sections 1-9 create a Canadian Prescription Drug Importation Program that results in costs to the Office of Health Strategy (OHS) and the Department of Consumer Protection (DCP).

Section 2 requires OHS to submit a request for approval of the importation program to the federal Food and Drug Administration (FDA). OHS will incur a one-time cost of $125,000 in FY 25 to hire a consultant to assist them in preparing a plan. If the program is approved by the FDA, the bill will result in potential costs to a variety of state agencies.

OHS will incur costs of $336,000 in salary and fringe benefits beginning in FY 26 to hire a Staff Attorney 2 and a planning analyst to fulfill the requirements outlined in **Sections 5&7**, which mandate OHS to ensure suppliers and distributors comply with the bill's provisions. The attorney and planning analyst will also assist the executive director with adopting regulations required by **Section 8**.

Section 9 requires OHS to submit an annual report describing the operations of the program. OHS will incur costs of $327,000 in salary and fringe benefits beginning in FY 26 to hire a lead planning analyst and a planning analyst to create the annual report.

DCP[1] will see a significant increase in regulatory work, and the agency may have to hire two additional employees[2] for a salary and other expenses cost of $203,000, along with associated fringe benefits costs of $82,000, all beginning in FY 26.

Sections 10-13 of the bill establish a Prescription Drug Affordability Board (PDAB) and lay out its administrative responsibilities and capabilities. OHS will incur costs of $527,000 in salary and fringe benefits beginning in FY 26 to hire three new staff to directly support the board in its activities: a planning specialist, a lead planning analyst, and a planning analyst.

Sections 14-15 establish an upper payment limit for state entities, health benefit plans, and participating ERISA plans to purchase drugs. This results in a savings to state entities beginning in FY 25. Any savings will be used to reduce out-of-pocket costs to consumers, resulting in no fiscal impact to the state or municipalities. The plans will also submit a report to the PDAB and OHS describing the savings which will not result in a fiscal impact.

Sections 17-19 result in a potential cost to fully insured municipalities that currently impose cost sharing on insulin products to the extent cost sharing is imposed. Additional costs to municipalities can be incurred if they do not offer insulin products at the lowest wholesale acquisition cost. There is no fiscal impact to the state to impose these provisions as insulin products are currently covered under the state employee health plan with no cost sharing.

Section 20 requires any hospital or drug purchasing agency to have

[1]DCP is the state regulatory agency responsible for the pharmaceutical industry. DCP is tasked with drug tracking, investigation, and enforcement of this marketplace. The agency will be integrally involved in how the drug supply chains are managed and enforced as well as ensuring compliance with the FDA.

[2] The employees include one drug control agent and one staff attorney.

a drug shortage prevention strategy covering at least 40 eligible drugs corresponding to at least one-third of the hospital or agency's expected use of each drug. This includes the Departments of Social Services, Correction, Mental Health and Addiction Services as well as UCONN Health Center. OHS will incur costs of $145,000 in salary and fringe benefits beginning in FY 26 to hire a planning analyst that will develop a comprehensive report on compliance of hospitals, drug purchasing agencies, and their contractors that will be sent to the legislature annually beginning on April 1, 2025.

Sections 21 and 22 regarding 340B entities result in an annual significant positive financial impact to the University of Connecticut Health Center beginning in FY 25. The health center has multiple 340B covered entities, including John Dempsey Hospital, and has not been fully benefiting from the provisions of the 340B program due to manufacturer and pharmacy benefits manager (PBM) practices. The health center estimates that the foregone savings and revenue gain due to these practices has reached approximately $9 million annually and will continue to increase. It is anticipated that the bill will reduce or eliminate the practices it prohibits, and consequently result in greater 340B savings and revenue gain to UConn Health Center.

Section 22 also makes OHS responsible for monitoring compliance by drug manufactures working with covered entities as part of 340b. OHS will incur costs of $146,000 beginning in FY 26 for a staff attorney and related fringe benefits costs to assist in conducting investigations and hearings for violating the provisions of the section. There is a potential revenue gain to the state from this section to the extent OHS renders civil penalties of up to $50,000 on applicable entities.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the number of civil penalties administered by OHS.