

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 384** HLS 18RS 669

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 5, 2018	8:46 AM	Author: TALBOT
Dept./Agy.: LA Dept. of Health/LA State Board of Pharmacy		Analyst: Zachary Rau
Subject: Canadian Prescription Drug Import Program		

DRUGS/PRESCRIPTION OR INCREASE SG EX See Note
Creates and provides for a state prescription drug importation program

Proposed law creates the Canadian Prescription Drug Importation Program to be administered by the LA Dept. of Health and requires LDH to comply with certain deadlines regarding application with federal health agencies. Proposed law outlines requirements of the drug import program. Proposed law requires coordination between LDH and the LA Board of Pharmacy to develop and revise a drug import list. Proposed law requires health insurers to report certain information to LDH and the LA Board of Pharmacy. Proposed law requires audits associated with the drug import program to be conducted by LDH and the LA Dept. of Insurance (LDI) and provides for required functions. Proposed law outlines conditions that must be met prior to implementation of the drug import program. Proposed law allows LDH and LDI to levy fees as necessary to fund the implementation of proposed law. Proposed law prohibits pharmaceutical manufacturers from certain activities. Proposed law allows the LA Attorney General to seek injunction or a civil action pursuant to violations of proposed law. Proposed law requires pharmaceutical manufacturers to report certain information to LDH regarding price increases. Proposed law requires LDH to publish drug price increase information quarterly.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						
REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The net impact on state expenditures associated with proposed law is currently indeterminable. Proposed law will increase aggregate SGR expenditures for the LA Dept. of Health (LDH) and the LA Dept. of Insurance (LDI) by an indeterminable, but likely significant, amount. The proposed legislation creates a state-run program for the import of prescription drugs from Canada to Louisiana. Furthermore, the proposed legislation includes several conditions that must be satisfied for implementation of the drug import program.

LA Dept. of Health (LDH)

The proposed law allows LDH to act as a prescription drug importer and wholesaler within the State of Louisiana and to perform functions associated with drug importation from Canada, including importing supplies of prescription drugs; establishing a supply chain network within LA; inspection of pharmaceuticals for to verify purity, potency, and chemical composition; comply with "track and trace" requirements as a provided in the federal Drug Security and Quality Act; monitor market competition to ensure that the program results in savings for consumer; and audit the program. Before implementation of the drug import program, proposed law requires several conditions to be met, including LDH collecting new fee revenues pursuant to proposed law sufficient to fund implementation costs of the drug import program (See Revenue Explanation). As a result, it is assumed that LDH will utilize revenues derived from fee collections to fund the program and draw down any potential qualifying federal resources.

Proposed law will likely include a need for additional personnel to enact the import, inspection, wholesale, audit, and supply chain operations for LDH to engage in prescription drug import activities. **(See Expenditure Explanation cont. on Pg. 2)**

REVENUE EXPLANATION

Proposed law allows the LA Dept. of Health and the LA Dept. of Insurance to levy fees necessary to implement drug import program on entities and insurers electing to participate in the program. However, proposed law does not set minimum or maximum fee amounts and states that fees shall be commensurate with anticipated expenditures associated with implementing the program. Therefore it can be reasonably assumed that proposed law will increase fees, but the extent of the fee increase is indeterminable. However, based upon the scope of the new drug import program and the provision of proposed law requiring fee collections to be sufficient to fund the program's implementation expenditures, the fee increase will likely be significant.

Note: staff at the LA Dept. of Insurance report not anticipating the need to increase fees to implement proposed law.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Staff Director



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CONTINUED EXPLANATION from page one:
(Expenditure Explanation cont. from Pg. 1)

LDH reports that the amount of personnel needed is presently unknown, but would likely be significant. The information technology infrastructure needed to undertake "track and trace," audit, and market monitoring activities would similarly result in significant expenditures for the department.

Additionally, proposed law requires LDH to enter into contract with a wholesale pharmacy in Louisiana to implement proposed law. The value of this contract is indeterminable, but assumed to be funded utilizing new SGR collections.

Lastly, the proposed legislation requires LDH to issue a letter of intent and application for authorization to engage in the drug import program with the US Dept. of Health & Human Services. It is anticipated that this requirement will carry nominal associated expenditures and will be absorbed utilizing existing resources.

LA Dept. of Insurance (LDI)

The LA Dept. of Insurance reports that it currently conducts health audits and anticipates that any audits associated within the drug import program would be included as part of the existing review process. In the event audits associated with proposed law become onerous for the department, it would increase fees as allowed in proposed law (see Revenue Explanation). However, LDI does not anticipate the need to increase fees at this time.

LA Board of Pharmacy

The LA Board of Pharmacy anticipates an additional meeting to review the drug import program annually, and that travel reimbursements for this meeting would total approximately \$3,000. The board anticipates funding these expenditures with its existing budget authority and does not report additional costs associated with the proposed legislation.

Note: Potential Savings & Timing of Expenditures

A potential for expenditure reductions in LDH, Medical Vendor Payments associated with proposed law exists. To the extent LDH purchases pharmaceuticals through the drug import program at a reduced cost relative to existing drug ingredient costs and is able to similarly reduce drug ingredient costs for pharmacists, Medicaid reimbursements (comprised of SGF and federal funds) to pharmacists may be decreased based upon the current formula. However, potential aggregate savings associated with program implementation is dependent upon a number of factors, including the size and scope of the drug import program, as well as utilization by participating providers and consumers. Therefore any potential savings associated with the program is currently speculative.

Lastly, due to the number of conditions that must be met to implement the drug import program, it is unknown when the aforementioned expenditures may be incurred by LDI, LDH, and the LA Board of Pharmacy.

Senate

Dual Referral Rules

- [X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
[X] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House

- [] 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
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