

Department of Planning and Budget 2021 Fiscal Impact Statement

1. **Bill Number:** HB2007

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. **Patron:** Sickles

3. **Committee:** Health, Welfare and Institutions

4. **Title:** Prescription drug price transparency.

5. **Summary:** Requires every health carrier, pharmacy benefits manager, wholesale drug distributor, and drug manufacturer to report information about prescription drug prices to the Department of Health and requires the Department to make such information available on its website. The bill also provides that, beginning January 1, 2022, a health plan enrollee's defined cost sharing for each prescription drug shall be calculated at the point of sale based on a price that is reduced by an amount equal to at least 80 percent of all rebates received, or to be received, in connection with the dispensing or administration of the prescription drug. The bill also requires the Bureau of Insurance to (i) identify all statutory and regulatory provisions from which health plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) are exempted and (ii) determine the financial impact, if any, of application of such statutory and regulatory provisions on such health plans, and to report its finding to the Chairmen of the House Committees on Health, Welfare and Institutions and Labor and Commerce and the Chairmen of the Senate Committees on Commerce and Labor and Education and Health by October 1, 2021

6. **Budget Amendment Necessary:** Yes, Item 307 and 300.

7. **Fiscal Impact Estimates:**

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2022	\$393,801		General
2023	\$318,801		General
2024	\$318,801		General
2025	\$318,801		General
2026	\$318,801		General
2027	\$318,801		General

8. **Fiscal Implications:** The bill would require the design and implementation a new data collection program to obtain information on prescription drug prices, costs and other related financial information from health carriers, pharmacy benefits managers, wholesale distributors and manufacturers. This information would be

used in combination with data already submitted to the Virginia All Payer Claims Database (APCD) to develop an annual online report that analyzes drivers of prescription drug prices. However, the information requested in the bill cannot be collected using the existing APCD layout and data fields or by the Prescription Monitoring Program. In order to fully comply with the requirements stipulated in the bill, VDH would need to contract with Virginia Health Information (VHI) as VDH does not have access to the relevant information and does not have a mechanism to collect such data. VHI would develop a data collection methodology based on research of national best practices to obtain the necessary information. The estimate also includes personnel costs for analysts, a web developer, and administrative staff at VHI. Other relevant costs include contracted software development, legal counsel for data submission agreements and subject matter expert consulting. The estimated annual cost to fulfill all of these requirements is \$350,000 in 2022 and \$275,000 each year thereafter. Costs decrease in the out years because of the one-time cost to develop the database and a reduction in consultant and legal fees.

The provisions of the bill provide that VDH shall determine compliance and assess and collect penalties for non-compliance should they be warranted. \$43,801 is requested for a wage position in the Office of Licensure and Certification to handle the assessment, collection, and any resulting APA proceedings.

- 9. Specific Agency or Political Subdivisions Affected:** The Virginia Department of Health.
- 10. Technical Amendment Necessary:** The Virginia Department of Health recommends an amendment to add a reference to any non-profit organization the Department of Health would contract with to compile and collect the information proposed in this bill as VDH themselves does not have the capacity to do so.
- 11. Other Comments:** None.