

Department of Planning and Budget

2020 Fiscal Impact Statement

1. Bill Number: HB1405

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: Leftwich

3. Committee: Health, Welfare and Institutions.

4. Title: Price transparency for prescription drugs for the treatment of diabetes; civil penalty.

5. Summary: Requires a manufacturer of a prescription drug indicated for use in the treatment of diabetes to report certain information to the Commissioner of Health regarding the cost of such prescription drugs and to report additional information when the price of such a drug increases beyond the increase in the medical care component of the Consumer Price Index for the preceding year. The bill also requires pharmacy benefits managers to report information to the Commissioner of Health regarding any rebates negotiated with a manufacturer for such drugs. The bill provides that such information reported to the Commissioner of Health will be managed by the nonprofit organization that administers the Virginia All-Payer Claims Database. The bill provides that the Board of Health may assess a civil penalty of up to \$1,000 per week per violation, not to exceed a total of \$50,000 per violation, against a manufacturer or pharmacy benefits manager that fails, within the Board's determination, to make a good faith effort to meet a reporting deadline. In addition, the bill requires pharmacy benefits managers to register with the State Corporation Commission and authorizes the Commission to revoke the registration of any pharmacy benefits manager that fails to comply with reporting requirements specified in the bill. The Board of Pharmacy is authorized to revoke the permit or registration of any manufacturer that fails to comply with the specified reporting requirements.

6. Budget Amendment Necessary: Yes, item 307.

7. Fiscal Impact Estimates: Preliminary, see item #8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2021	\$350,000	General
2022	\$275,000	General
2023	\$275,000	General
2024	\$275,000	General
2025	\$275,000	General
2026	\$275,000	General

- 8. Fiscal Implications:** The bill would require the design and implementation of a new data collection program to obtain information on 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 relating to the Pharmacy Benefits Managers in the bill cannot be collected using the existing APCD layout and data fields. 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 2021 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 bill states that the Commissioner of Health, in coordination with the Bureau of Insurance and the Department of Medical Assistance Services, shall conduct an analysis of the information. The bill would not have a fiscal impact on the Department of Medical Assistance Services or the Bureau of Insurance as the contract with VHI would include subject matter expert consultations.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Health, Department of Medical Assistance Services, Virginia Health Information, and the Bureau of Insurance.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.