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560 East 200 South » Salt Lake City, UT » 84102-2004 » 801-366-7555 or 800-765-7347 » www.pehp.org

HB0266 - Pharmaceutical Step Therapy

Any Fiscal Impact - yes

Updated 02/03/2017 11:09:27 by Paul Anderton

Step therapy is an important management principle and practiced at PEHP. Step therapy impacts discounted drug cost and manufacturer rebates. The bill would not eliminate step therapy. However, it negatively affects PEHPs ability to use step therapy to control costs and current savings from rebates and utilization will erode. Estimates provided by our pharmacy benefit manager (PBM) indicate costs increase by 12% and rebates decrease by 35% in the absence of step therapy. We estimate the likely impact will be a portion of the figures quoted above. Specifically, we estimate an initial 15% decrease in rebates ($0.15 * 0.35 = 0.05 = 5.2\%$) and a 10% decrease in the savings generated by step therapy programs ($0.12 * 0.1 = 0.012 = 1.2\%$). We also calculate a cost to comply with the time constraints that would involve an employee on call on weekends and holidays.

Effect on total pharmacy spending

$\$53,000,000 * 0.01 = \$530,000$

Effect on rebates

$\$9,900,000 * 0.05 = \$495,000$

Cost to comply with time restraints

$\$15,000$

Total Cost

$\$530,000 + \$495,000 + \$15,000 = \$1,040,000$

We estimate that the bill will increase future renewals by approximately \$1,000,000 in each of the two following plan years.

PEHP - no

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State Revenue - no

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Local Government - no

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Business / Individual - no

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