OFFICE OF FISCAL ANALYSIS
Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

sSB-13
AN ACT REDUCING PRESCRIPTION DRUG PRICES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 $	FY 24 $
Revenue Serv., Dept.	GF - Potential Cost	Less than 500,000	Less than 500,000
State Comptroller - Fringe Benefits[1]	GF - Potential Cost	Less than 202,650	Less than 202,650
Department of Revenue Services	GF - Cost	None	Less than 100,000
Consumer Protection, Dept.	GF - Cost	75,000	90,418
State Comptroller - Fringe Benefits	GF - Cost	30,398	36,646
Department of Revenue Services	GF - Revenue Gain	None	Potential

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes certain limitations and requirements regarding prescription drugs and associated penalties for violation, results in the following fiscal impacts:

Section 1 establishes the Covered Connecticut account as a separate, nonlapsing account within the General Fund, administered by the Office of Health Strategy (OHS). The account will contain revenue from civil penalties resulting from any pharmaceutical manufacturer that

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.53% of payroll in FY 23.

Primary Analyst: CW 3/29/22
Contributing Analyst(s): ME, ES
Reviewer: MM

violates the provisions of the bill. Funding in the account must be used for the purposes of supporting the Covered Connecticut Program (OHS) and the Department of Social Services (DSS) Medicaid program.

Sections 2 – 4 require pharmaceutical manufacturers that violate the bill's pricing provisions to annually pay the Department of Revenue Services (DRS) commissioner a civil penalty[2]. This results in: 1) a potential revenue gain to the Covered Connecticut account beginning in FY 24, and 2) a one-time cost of less than $100,000 in FY 24 associated with form development, postage costs, and associated updates to the online Taxpayer Service Center and CTax integrated tax administration system.

It is unclear how violations of the bill's provisions by pharmaceutical manufacturers would be determined. To the extent DRS is required to monitor pharmaceutical company sales and investigate potential violations, there is a cost to the agency beginning as early as FY 23. Any potential cost is anticipated to be less than $702,650 annually, inclusive of fringe benefit costs.

Sections 5 through 10 require the Department of Consumer Protection (DCP) to establish a Canadian Legend Drug Importation Program (CLDIP) resulting in costs of approximately $75,000 to DCP (salary) and $30,398 to OSC (fringe benefits) in FY 23, and $90,418 to DCP (salary) and $36,646 to OSC (fringe benefits) in FY 24 and each fiscal year thereafter. In FY 23 only, a six-month durational Project Manager is needed to submit a request to the federal Secretary of Health and Human Services for approval to establish the CLDIP. Assuming federal approval is granted, a full-time Drug Control Agent will be needed to run the program beginning in FY 24.

The Out Years

The annualized ongoing fiscal impact identified above would

[2] The penalty equals 80% of the increased revenue the pharmaceutical company made by selling the drug at the higher price compared to a price allowed under the bill.

continue into the future subject to inflation.