

## Memo

**Date:** June 30, 2020

**To:** Rep. Mike Lefor, Chairman  
Employee Benefits Programs Committee

**From:** Josh Johnson and Dan Plante, Deloitte Consulting LLP

**Subject:** **ACTUARIAL REVIEW OF PROPOSED BILL 21.0068.01000**

The following summarizes our review of the proposed legislation as it relates to actuarial impact to the Uniform Group Health Insurance Program administered by NDPERS.

### **OVERVIEW OF PROPOSED BILL 21.0068.01000**

The following is a summary of the relevant proposed amendments:

This bill proposes the requirement that prescription drug benefits under the uniform group insurance program must include coverage for prescription drugs imported from Canada (in compliance with section 804 of the Federal Food, Drug, and Cosmetics Act). Coverage required under this section may allow for a copayment that does not exceed \$25.

The bill also would require NDPERS to provide a report to the sixty-eighth Legislative Assembly regarding the effect of the prescription drug coverage requirement on the system's health insurance programs, information on the utilization and costs relating to the coverage, and a recommendation regarding whether the coverage should continue.

### **ESTIMATED ACTUARIAL IMPACTS**

There have been numerous reports issued that indicate that the importation of brand (and, ultimately, generic) prescriptions from Canada will not have an impact on US health care prices. Key points from these reports:

- Canada, with a population about 11% that of the US, does not produce sufficient quantities of drugs to allow for meaningful importation into the US without jeopardizing access for Canadians. Any level of a constricting supply for Canadians would likely increase the cost of Canadian drugs given the continued Canadian demand.
- Canada would potentially oppose any importation plan that would either shrink the Canadian drug supply or raise costs for Canadians.

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- Canadian drug distributors have argued against importation for similar reasons.
- Jim Greenwood, currently head of the biotech industry trade group BIO and a former Republican congressman, has indicated such importation would not result in lower prices for US consumers – citing both nonpartisan budget experts and past US Food and Drug Administration commissioners.
- Many drugs are cheaper in Canada due to Canadian government price controls. Such controls would likely not extend to drugs imported into the US, equating to drug costs higher than those experienced by Canadians.
- There is concern that some drugs imported from Canada did not actually originate in Canada, introducing concerns about safety.

The issues of potentially a very limited supply of imported drugs from Canada, and subsequent price equalization both indicate that little if any potential savings could be realized by the State's health program. We therefore cannot quantify an expected actuarial impact to the uniform group insurance program at this time.