Government of the District of Columbia
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Vincent C. Gray**
Chairman, Council of the District of Columbia

FROM: **Natwar M. Gandhi**
Chief Financial Officer

DATE: **September 4, 2009**

SUBJECT: **Fiscal Impact Statement: "Prescription Drug Dispensing Practices Reform Act of 2009"**

REFERENCE: **Bill 18-240, Draft Committee Print**

Conclusion

Funds are sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation.

Background

The proposed bill would amend the District of Columbia Prescription Drug Price Information Act[1] with regards to the dispensing of substitute drug products[2] by pharmacists. Specifically, it would:

- Require the chemical and generic drugs listed in the Food and Drug Administration's "Approved Drug Products with Therapeutic Equivalence Evaluations"[3] to be used as the District of Columbia's formulary of generically equivalent drug products ("generic formulary");
- Allow, but not require, the Boards of Pharmacy and Medicine to establish a therapeutic interchange[4] list; and
- If such list were established, require the Department of Health to distribute and publish it.

[1] Effective September 10, 1976 (D.C. Law 1-81; D.C. Official Code § 48-801.01 *et seq.*)
[2] Drug products different than the ones originally prescribed by a prescriber.
[3] Also known as the "Orange Book."
[4] "Therapeutic interchange" means the dispensing of chemically dissimilar but therapeutically equivalent drug products.

Under current law, the Department of Human Services (DHS) is required to determine[5] the formulary of drug products that are therapeutically equivalent to specified brand name drug products and subsequently publish it.

The bill would also permit a pharmacist, upon receipt of a brand name prescription, to dispense an equivalent generic drug product listed in the District's generic formulary, as long as it was the lowest cost product in stock. Alternatively the pharmacist could make a therapeutic interchange, as long as the drug was on the therapeutic interchange list and other requirements concerning cost and consent were met. In either case, the pharmacist would be required to inform the purchaser of the right to refuse the substitution and would not be allowed to make the substitution if the cost of the substitute were higher than the originally prescribed drug.[6]

Financial Plan Impact

Funds are sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. Merely permitting the Boards of Pharmacy and Medicine to establish a therapeutic interchange list would not have a fiscal impact on the District of Columbia Government, nor would amending the rules concerning the dispensing of substitute drugs by pharmacists.

[5] Following recommendations by a committee of nine members appointed by the Director of DHS.
[6] This refers to higher to the actual purchaser, as well as higher to the payer, which is defined as "an entity other than the patient that finances or reimburses the cost of health services, including a health insurer, a hospital and medical services corporation, a fraternal benefit society, a health maintenance organization, a multiple employer welfare arrangement, or any other person providing a plan of health insurance subject to the authority of the Commissioner of the Department of Insurance, Securities, and Banking."