



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 173** SLS 25RS 397
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 13, 2025	8:04 PM	Author: JACKSON-ANDREWS
Dept./Agy.: Health/Insurance, Office of Group Benefits		
Subject: Pharmacy Benefit Manager Reimbursement Rates		Analyst: Anthony Shamis

HEALTH/ACC INSURANCE OR +\$3,513,956 SG EX See Note Page 1 of 2
 Provides for reimbursement rates paid by Pharmacy Benefit Managers. (8/1/25)

Present law requires a Pharmacy Benefit Manager (PBM) to reimburse a pharmacy or pharmacist an amount equal to the acquisition cost for a covered drug, device, or service. Proposed law defines acquisition cost.

Present law provides for an administrative appeal procedure for pharmacies that challenge the maximum allowable cost established by a PBM. Proposed law requires PBMs to take specific actions when an appeal is granted.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$3,513,956	\$3,833,408	\$3,833,408	\$3,833,408	\$3,833,408	\$18,847,588
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$3,513,956	\$3,833,408	\$3,833,408	\$3,833,408	\$3,833,408	\$18,847,588

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase SGR expenditures by \$3.5 M within the Office of Group Benefits (OGB) in FY 26, as a result of the requirement that no Pharmacy Benefit Manager (PBM) reimburse a Louisiana pharmacy or pharmacist an amount less than the acquisition cost for a covered drug, device, or service including a professional dispensing fee established by the LA Medicaid Program. The health actuary for the LA Department of Insurance (LDI) does not anticipate that the proposed law would result in any defrayal costs from the healthcare insurance exchanges. Furthermore, proposed law is anticipated to increase claims expenditures for the health insurance industry by an estimated \$100.9 M (low) and premiums by an estimated \$108.1 M (low).

Office of Group Benefits Impact - \$3,513,956 (Self-generated Revenue Impact)

OGB's contracted PBM CVS Caremark and its medical third-party administrator, Louisiana Blue, estimate that this legislation will increase OGB pharmacy claims expenditures due to its requirement that Louisiana based pharmacies and pharmacists be paid a professional dispensing fee more than or equal to the Louisiana Medicaid Program's professional dispensing fee.

CVS Caremark projects that the OGB self-funded health plan members it provide services to will annually fill 1,008,928 prescriptions through Louisiana independent pharmacies for which a per-claim professional dispensing fee of \$11.81 would be paid, which is an additional \$2.81 per claim from the professional dispensing fee currently being paid to Louisiana independent pharmacies.

Louisiana Blue estimates this legislation will increase OGB pharmacy claims expenditures provided through its subcontractor Express Scripts, Inc. by \$6.90 per member per month (PMPM).

As of April 1, 2025, OGB's self-funded health plan membership was 213,214, of which 12,057 were participants of the Pelican HSA775 plan who receive their pharmacy benefits through Express Scripts, Inc.

Continue Explanation on Page 2

REVENUE EXPLANATION

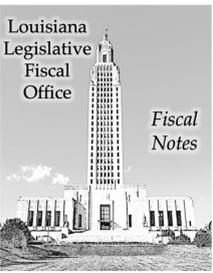
OGB does not anticipate the proposed law to require premium increases, therefore there is no impact to self-generated revenues collected from premiums. OGB has indicated that costs associated with acquisition costs of drugs, devices, or services may be absorbed by the existing balance in the reserve. As of 3/31/25, the OGB Fund balance was \$410.2 M.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


Patrice Thomas
Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

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EXPENDITURE EXPLANATION Continued from Page 1

Projected five-year cost to increase dispensing fees paid to independent pharmacies to Medicaid's fee amount:

PBM	FY 26*	FY 27	FY 28	FY 29	FY 30	Total
CVS Caremark	\$2,598,830	\$2,835,088	\$2,835,088	\$2,835,088	\$2,835,088	\$13,939,182
Express Scripts	\$ 915,126	\$ 998,320	\$ 998,320	\$ 998,320	\$ 998,320	\$ 4,908,406
Total	\$3,513,956	\$3,833,408	\$3,833,408	\$3,833,408	\$3,833,408	\$18,847,588

*FY 2026 is prorated for 11 months due to the August 1, 2025 effective date.

The expenditure estimate is based upon requirements of the proposed law as well as the following assumptions: (1) No change in OGB self-funded health plan membership in future fiscal years from current levels. (2) No change in the number of prescriptions to be filled by OGB self-funded health plan members who receive their pharmacy benefits through CVS Caremark in future fiscal years from the projected annual prescriptions count provided by CVS Caremark. (3) OGB will rely on the PPM cost estimate provided by Louisiana Blue to determine the fiscal impact of this legislation for OGB self-funded health plan members who receive their pharmacy benefits through Express Scripts, Inc. (4) Application of the professional dispensing fee established for the Louisiana Medicaid Program effective August 1, 2025.

Calculation on the annual increase in dispensing fees paid through CVS Caremark:

PBM	Prescriptions	Per-Fill Inc.	Disp. Fee Inc.
CVS Caremark	1,008,928	x \$2.81	= \$2,835,087.68

Calculation on the annual increase in dispensing fees paid through Express Scripts, Inc.:

PBM	PPM Rate	Membership #	Months	Annual Cost
Express Scripts	\$6.90	x 12,057	x 12	= \$998,319.60

PRIVATE INSURANCE IMPACT

The information below is the projected private insurance impact of proposed law. Based upon an actuarial analysis prepared by LDI, the proposed law is anticipated to increase expenditures associated with claims by \$100.9 M and increase premiums by \$108.1 M. These estimates are based on the following assumptions: (1) Benefits are 85% of premiums. (2) 35% of pharmacies are independent of PBMs. (3) Cost is based on spread (using Ohio study numbers). (4) Inflation is 8% in FY 26 and 5% thereafter. Medicaid's dispensing fee is \$11.81 per RX vs. commercial insurance at approximately \$3.00. (5) Estimates are made on employer sponsored and individual insurance plans, as 45.4% of the population, no Medicare, Medicaid, 10% to 25% of prescriptions would be affected by part (a) and 100% of part (b). (6) PBMs will increase charges to make up losses in profit that result from proposed changes. (7) Two people are covered per policy on average. (8) Dispensing fees are fixed and do not increase with other medical expenses unless Medicaid increases them. (9) Average cost of health insurance is \$522.50 per month for one individual.

Premium Increase Determination - Acquisition Cost: Section (a) = Drug/Device; Section (b) = Services

Aggregate premium for FY 26:

	Section (a)	Section (b)	Total
Low	\$1,728,161	\$106,396,411	\$108,124,572
High	\$4,230,404	\$143,948,086	\$148,178,490

Aggregate extra premium for FY 26:

Aggregate cost x persons per policy/number of insured

	Section (a)	Section (b)	Total
Low	\$1.66	\$101.89	\$103.55
High	\$4.14	\$137.85	\$141.99

Percentage premium change caused by this legislation:

	Section (a)	Section (b)	Total
Low	0.02%	\$1.42%	\$1.44%
High	0.12%	\$3.83%	\$3.95%

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 Deputy Fiscal Officer