# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB** **65** SLS 23RS 86
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

| **Date:** April 16, 2023          11:21 AM | **Author:** MILLS, FRED |
|---|---|
| **Dept./Agy.:** Division of Administration | |
| **Subject:** Pharmacy Benefit Manager Reverse Auctions | **Analyst:** Garrett Ordner |

PHARMACEUTICALS                    OR SEE FISC NOTE  EX                    Page 1 of  1

Provides relative to state procurement of pharmacy benefit manager services by use of reverse auction technology. (8/1/23)

Proposed law requires the Division of Administration (DOA) to procure pharmacy benefit manager (PBM) services for the administration through a reverse auction process. Proposed law prohibits the division from awarding the contract to a vendor that receives remuneration from a PBM for aggregating clients into a contractual relationship with a PBM or has earned revenues in the past for providing consulting services to the division in support of procurement of PBM services through a conventional or nonreverse auction RFP process. Proposed law requires the DOA to perform a technology-driven evaluation of the existing PBM's prescription drug pricing and provides that, if the incumbent PBM fails to meet comparative benchmark pricing, the DOA may terminate the contract and conduct a new PBM reverse auction.

| EXPENDITURES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---|---|---|---|---|---|---|
| State Gen. Fd. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Agy. Self-Gen. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Ded./Other | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Federal Funds | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Local Funds | $0 | $0 | $0 | $0 | $0 | $0 |
| **Annual Total** | | | | | | |

| REVENUES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 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 may result in a decrease in state expenditures by the Office of Group Benefits associated with PBM contracts; however, the magnitude of the fiscal impact on costs is indeterminable and will depend on the outcome of the bidding process.

For informational purposes, the state of New Jersey reported a 25% reduction in prescription drug spending in the first nine months of its PBM contract following adoption of the reverse auction process. New Jersey attributed these savings to a combination of reduced contract pricing resulting from the reverse auction and the use of the reverse auction platform to perform real-time reviews of PBM drug claims invoices in order to identify and reconcile PBM overcharges. Similarly, Louisiana's present law provides that any reverse-auction technology platform must also be utilized to perform real-time, electronic, line-by-line, claim-by-claim reviews of one hundred percent of invoiced PBM prescription drug claims, and identify all deviations from the specific terms of the PBM services contract.

There are no anticipated costs to the state associated with utilizing a reverse auction technology platform provider, as present law obligates the winning PBM, rather than the state, to pay the cost of the technology platform and related technology platform provider services by assessing the PBM a per-prescription fee in an amount agreed to by the DOA and the technology provider and requiring the PBM to pay these fees to the technology provider over the duration of the PBM services contract. The obligation of the winning PBM to pay the per-prescription fees would then be incorporated as a term of the participant bidding agreement and the PBM services contract awarded to the PBM reverse auction winner.

**REVENUE EXPLANATION**

There is no anticipated direct material effect on governmental revenues as a result of this measure.

| Senate | Dual Referral Rules | House | |
|---|---|---|---|
| ☐ | 13.5.1 >= $100,000 Annual Fiscal Cost {S & H} | ☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S} | *Alan M. Boxberger* |
| ☐ | 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H} | ☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S} | **Alan M. Boxberger** **Interim Legislative Fiscal Officer** |