

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 377** SLS 26RS 585

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 15, 2026	9:46 AM	Author: HARRIS, JIMMY
Dept./Agy.: Louisiana Department of Health		Analyst: Anthony Shamis
Subject: Provides relative to pharmacy benefit managers		

HEALTH/ACC INSURANCE OR +\$2,265,844 SG EX See Note
Provides relative to pharmacy benefit managers. (gov sig)

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Proposed law provides for compensation, audits, contracts and other requirements pertaining to pharmacy benefit managers (PBMs). Proposed law provides that a PBM may negotiate but not retain rebates and fees, and may only derive income from PBM management fees for PBM management services provided to an insurer or health plan. The PBM management fee shall be set forth in the agreement between the PBM and the insurer or health plan. Proposed law requires that each PBM operating in Louisiana to annually certify to the commissioner of insurance, by December 31, that it is in full compliance with the requirements of the proposed law. Proposed law authorizes the commissioner and any insurer or health plan contracted with a PBM to audit the PBM once per calendar year. The PBM is required to provide information pursuant to an audit within 30 days of receipt of any request from the commissioner, insurer, or health plan. The commissioner may dictate the form in which the PBM will provide information in response to an audit authorized under this measure. Proposed law requires that on or after January 1, 2027, a PBM contract with an insurer or health plan shall: (1) specify all forms of revenue, including PBM fees, to be paid by the insurer or health plan to the PBM, and (2) acknowledge that spread pricing is not permitted in accordance with R.S. 22:1867. Proposed law provides that, in addition to any other civil or criminal penalty authorized by law, a violation of proposed law shall be punishable by the commissioner through a civil monetary penalty not to exceed \$1,000 per claim. Proposed law becomes effective upon signature of the governor, or after the lapse of time for gubernatorial action.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$2,265,844	\$2,262,014	\$2,352,495	\$2,446,595	\$2,544,458	\$11,871,406
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase SGR expenditures within the Louisiana Department of Insurance (LDI) by \$2.3 M in FY 27, with costs increasing in future fiscal years. This increase is associated with the creation of a pharmacy benefit manager (PBM) enforcement section within the LDI's Office of Health, Life, and Annuity in order to expand the department's regulatory oversight of PBM activities and ensure adherence to the legislation's requirements. The LDI reports it will need to add six (6) T.O. positions, including one (1) Pharmacist Chief Compliance Officer T.O. position, one (1) Pharmacist Compliance Officer T.O. position, one (1) Insurance Supervisor T.O. position, two (2) Insurance Specialist 4 T.O. positions, and one (1) Attorney 4 T.O. position, along with associated operating and professional services expenses and one-time equipment costs. The proposed legislation is expected to increase regulatory oversight of PBMs within LDI, including annual certification filings, review of PBM compensation structures, audit authority, and rule promulgation. LDI reports that it otherwise does not possess the technical expertise necessary to provide adequate oversight and enforcement over PBMs. **Note: Increased SGR expenditures within LDI results in less monies reverted to SGF at the end of the fiscal year.** LDI reports that it can impose fees upon pharmacy benefit managers sufficient to provide for the costs detailed in this fiscal note (see NOTE in Revenue section below).

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law is anticipated to have an indeterminable impact on Statutory Dedication revenue within LDI. Proposed law provides for a civil monetary penalty not to exceed \$1,000 per claim in addition to any other penalties authorized by law. The agency indicates that any fines or penalties collected pursuant to the proposed law are indeterminable. The LFO assumes fines will be deposited into the Pharmacy Benefits Manager Enforcement Fund in accordance with La R.S. 22:1870.1, and used first to provide for the expenses of the commissioner of insurance and the attorney general.

NOTE: LDI reports that it possesses existing statutory authority under the provisions of La R.S. 22:1865(G), "to impose a reasonable fee upon pharmacy benefit managers, in accordance with the Administrative Procedure Act, in addition to a license fee and annual report fee, in order to cover the costs of implementation and enforcement," of any legislation providing for oversight and enforcement duties with regard to PBMs. LDI has not promulgated any rules to this effect at the current time, and reports it anticipates being able to do so by the end of calendar year 2026. The LFO assumes fees associated with this effort would be categorized as SGR.

Senate
 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}

Alan M. Boxberger

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Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

To the extent LDI promulgates rules imposing a fee upon pharmacy benefit managers to cover the costs of oversight, implementation and enforcement, the department will utilize this SGR to provide for these expenditures. LDI reports it can promulgate the necessary rules by the end of calendar year 2026. Implementation prior to this date will restrict the department's ability to perform oversight and enforcement duties until revenues are collected to provide for these duties, unless a separate appropriation is provided from SGF or SGR to cover expenses until fees are imposed.

Personnel Costs (\$926,312 SGR):

LDI indicates that salaries and related benefits associated with the addition of six (6) T.O. positions for the creation of a PBM enforcement section will total \$926,312, including \$629,221 in salaries and \$297,091 in related benefits, for FY 27. A 4% growth factor is applied to these personnel costs in subsequent fiscal years.

Operating Expenses (\$36,702 SGR):

LDI anticipates operating expenses of \$36,702 in FY 27, including \$3,864 in office supplies and \$32,838 in operating services (postage: \$822; telephone/data ports: \$2,124; printing: \$600; equipment maintenance: \$3,084; security: \$6,570; risk management: \$8,280; civil service: \$2,382; UPS: \$336; and software licenses: \$8,640). These operating expenses are also projected to increase by 4% annually beginning in FY 28.

Professional Services (\$1,287,360 SGR):

LDI anticipates professional service expenses of \$1.3 M in FY 27, including one-time computer programming cost of \$75,360 (628 hours x \$120 per hour) for the development of a submission portal to support intake, review, communication search, notifications, and internal documentation functions, plus \$12,000 per year ongoing maintenance costs (100 hours annually at \$120 per hour). Additionally, an Accounting and Auditing Examinations contract of \$1.2 M per year is needed for transparency audits into the pharmacy supply chain and to provide specialized expertise to review complex PBM financial and pricing arrangements beyond LDI's internal capacity. A 4% growth factor is applied to these costs in subsequent fiscal years.

Equipment Costs (\$15,470 SGR):

LDI further estimates the purchase of one-time equipment costs of \$15,470 in FY 27, including desks (\$3,100), chairs (\$1,900), personal computers/printers (\$9,000), and file cabinets (\$1,470). These costs are not anticipated to recur in subsequent fiscal years.

Note: The LFO is unable to corroborate the estimated staffing level, operating expenses, professional services, and equipment costs projected by LDI. To the extent the required staffing levels may be lower or higher, corresponding operating costs would shift accordingly. To the extent that a portion or all of the prescribed duties can be absorbed by existing staff and resources, a portion of the projected costs may be mitigated. Should additional information regarding estimated expenditures become available, this fiscal note will be updated.

EXPENDITURES

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personal Services					
Six (6) T.O. Positions	\$926,312	\$963,364	\$1,001,899	\$1,041,975	\$1,083,654
Operating Expenses	\$36,702	\$38,170	\$39,697	\$41,285	\$42,936
Professional Services	\$1,287,360	\$1,260,480	\$1,310,899	\$1,363,335	\$1,417,868
Equipment	\$15,470	\$0	\$0	\$0	\$0
Total Expenditures	\$2,265,844	\$2,262,014	\$2,352,495	\$2,446,595	\$2,544,458
T.O.	6	6	6	6	6

NOTE: To the degree that violations are issued and fines levied against any entity under the provisions of proposed law, deposits into the Statutorily Dedicated Pharmacy Benefits Manager Enforcement Fund may allow the department to offset cost exposure against agency SGR. The LFO assumes revenues derived from fines would not be sufficient to completely offset costs estimated by LDI.

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

House
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