LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 704** HLS 24RS 923
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 7, 2024 2:04 PM
Author: CHASSION
Dept./Agy.: Office of Group Benefits/Department of Insurance
Subject: Pharmacy Benefit Managers
Analyst: Garrett Ordner

PHARMACIES RE SEE FISC NOTE SG RV See Note

Creates the pharmacy benefit managers quality incentive program

Proposed law requires each pharmacy benefit manager (PBM) licensed by the Commissioner of Insurance to develop a program to provide incentive payments to eligible independent network pharmacies for meeting benchmarks or complying with strategies aimed at improving the health of Louisiana residents covered by the PBM. The program should encourage the use of new technology and obtaining education on best practices. Proposed law provides that a PBM may consult with the University of Louisiana at Monroe College of Pharmacy and the Xavier College of Pharmacy to design a quality incentive program, educate pharmacy students and pharmacists about the value of electronic pharmacy benefit tools, and provide for education on the role of pharmacist in patient healthcare. Proposed law requires each PBM to create a toolkit for participating independent network pharmacies. PBMs may implement educational and training components into the program. Proposed law provides for annual reporting requirements of the PBM, including the amount of incentive payments expected to be made to the participating pharmacies, in addition to prior year quality criteria results. Proposed law excludes PBMs who exclusively provide services for the state's Medicaid program. Proposed law prohibits PBMs from charging fees in association with the program and amends present law regarding PBM fee prohibitions. Provisions of law requiring the program shall terminate on January 1, 2028.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	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	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	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	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

The impact on expenditures to the Office of Group Benefits (OGB) is indeterminable and depends on the actual program design that is agreed upon by the pharmacy benefit manager (PBM) and plan sponsor (OGB). The frequency of payments, amount of payments, and specific benchmarks are not defined in the bill. Any resulting increase in expenditures may or may not be significant.

OGB's current contracted PBM, CVS Caremark, reports that the incentive payment program will require considerable overhead to operate, design, monitor, and implement. OGB reports that to the extent such costs are absorbed by the PBM, there will be minimal impact to OGB. However, the impact of such an expenditure increase cannot be determined, as the program has not yet been created and implemented by OGB's PBM.

The Louisiana Department of Insurance (DOI) reports that the proposed law will have no impact on its expenditures. Proposed law provides that a PBM may consult with the University of Louisiana at Monroe College of Pharmacy, which may result in some costs to the college; however, any such costs are indeterminable. Note: Proposed law expands a provision of present law which currently prohibits PBMs from charging certain fees to pharmacies related to claims handling. DOI reports that this may prohibit PBMs from charging some fees to pharmacies that are unrelated to the quality incentive program. Costs recovered by these fees may instead be charged to insurance plan carriers and incorporated into premiums. While the impact of this change is indeterminable, DOI does not expect it to be significant. This section of proposed law will not terminate on January 1, 2028, when the other provisions of proposed law terminate.

REVENUE EXPLANATION

The impact on revenues to OGB is indeterminable and depends on the actual program design that is agreed upon by the pharmacy benefit manager (PBM) and plan sponsor (OGB). If expenditures are passed through to OGB, those expenditures may result in an increase in premiums. However, the impact of such an expenditure increase cannot be determined, as the program has not yet been created and implemented by OGB's PBM.

For informational purposes, OGB reports that its actuary is currently projecting a need for an annual premium rate increase of 7.8% for OGB's self-funded health plans in plan years 2025 through 2028 to prevent OGB's fund balance from falling below $276 M. Any increase in premiums resulting from the proposed law would be in addition to this 7.8%.

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}

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