



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 444** SLS 24RS 762
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 20, 2024	3:53 PM	Author: JACKSON-ANDREWS
Dept./Agy.: Insurance and Office of Group Benefits		Analyst: Patrice Thomas
Subject: PBMs Reimburse Acquisition Costs to Pharmacy/Pharmacists		

PHARMACEUTICALS RE INCREASE SG EX See Note Page 1 of 1
 Provides relative to pharmaceutical reimbursements. (gov sig)

Effective 1/01/2025, proposed law prohibits pharmacy benefit managers (PBMs), or persons acting on behalf of PBMs, from reimbursing a pharmacy or pharmacist an amount less than the acquisition cost for any covered drug, device, or service. Proposed law limits the applicability to a pharmacy or pharmacist that does not own more than 5 shares or a 5% interest in a pharmaceutical wholesale group purchasing organization or vendor. Proposed law requires the PBM to provide the information to the Commissioner of Insurance without a request from the commissioner.

EXPENDITURES	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						
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.	\$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

There is an indeterminable impact on pharmacy claim expenditures within the Office of Group Benefits (OGB). There may be a significant workload increase, which requires additional positions in OGB and the LA Department of Insurance (LDI). Also, LDI reports the proposed law will likely result in an indeterminable increase in premiums within the commercial health insurance market. Beginning January 1, 2025, the proposed law requires Pharmacy Benefit Managers (PBMs) to reimburse pharmacies an amount not less than the acquisition costs for a coverage drug, device, or service. Also, the proposed law amends the existing administrative appeal procedure for pharmacies to challenge the maximum allowable costs (MAC) for a specific prescription drug.

Office of Group Benefits Impact (Self-Generated Revenue Impact) - OGB reports an indeterminable impact on pharmacy claim expenditures. To comply with the January 1, 2025 effective date, OGB may have to amend its existing PBM contract (CVS Caremark) to change pricing terms to conform with the proposed law or engage in emergency solicitation activities (i.e. emergency rule or contract). The LFO assumes OGB will utilize existing administrative staff and resources to implement contract changes, but OGB may need additional positions to process administrative appeals filed under this measure. To the extent that the proposed law increases reimbursements made by the PBM to pharmacies, OGB reports these increased costs may increase pharmacy claims invoiced to OGB, which may increase premiums.

LA Department of Insurance (Self-Generated Revenue Impact) - LDI reports there may be a significant workload increase, which may require additional positions, to adjudicate increased administrative appeals that may be filed under this measure.

Private Insurance Impact/insurance Exchanges Impact - According to LDI, the proposed law is anticipated to increase premiums in the commercial insurance market, including the state insurance exchanges. Under the administrative appeal procedure in existing law, pharmacies may challenge the MAC lists of PBMs for a specific drug. The appeal procedures effectively serve as a requirement that PBMs reimburse at no less than the lowest available wholesale price/average wholesale price (AWP). Under the proposed law, PBMs will be required to reimburse pharmacies no less than the acquisition price paid by the pharmacy purchasing the prescription drug. LDI reports this removes the incentive for pharmacies to seek the lowest available wholesale price by requiring PBMs to reimburse at no less than the actual acquisition cost of a drug. This will increase drug costs for PBMs, which will increase premiums paid by employers and individuals.

Note: The material impact of this proposed law depends on the drug pricing model used by the PBM. The majority of commercial health insurance PBMs use an AWP or spread model; therefore, this measure will significantly increase pharmacy claim costs. Also, if this proposed law is enacted, the health insurance market will likely shift to a pricing model that mitigates drug and pharmacy claim costs.

REVENUE EXPLANATION

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

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}

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 Legislative Fiscal Officer