

February 2, 2026

The Honorable William Sutton, Chairperson
House Committee on Insurance
300 SW 10th Avenue, Room 218-N
Topeka, Kansas 66612

Dear Representative Sutton:

SUBJECT: Fiscal Note for HB 2551 by House Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2551 is respectfully submitted to your committee.

HB 2551 would enact the Kansas Pharmacy Services Administrative Organization Act. The bill would require a pharmacy administrative organization that negotiates with a pharmacy benefit manager (PBM) or a third-party payer on behalf of a pharmacy in Kansas to obtain a license from the Department of Insurance before operating. The Insurance Commissioner would be required to develop an application for licensure and could charge an initial application fee of up to \$200 and an annual renewal fee of up to \$150. The bill details several items that would be included in the application, including certain felony convictions. Any material modifications to information required in the application would require a notice describing the change to the Commissioner. Information in the application or other disclosures would not contain personally identifiable information, would be confidential by law and privileged, not be subject to the Open Records Act, and not subject to discovery or admissible as evidence in a civil action. By January 1, 2027, the Commissioner would be required to adopt rules and regulations to implement and administer the Act.

A pharmacy services administrative organization would be required to provide a written disclosure of ownership to the Department of Insurance prior to licensure and to any independent pharmacy, PBM, or third-party payer before entering into a contract. The disclosure would include ownership or control by entities that provide pharmacy services or support; provide prescription drugs or drug services; or manufacture, sell, or distribute prescription drugs, biological products, or medical devices. Any material changes in ownership would be reported within 10 calendar days

of the change to the Department and any relevant independent pharmacies, PBMs, and third-party payers.

The bill would establish requirements for contracts between pharmacy services administrative organizations and independent pharmacies. Organizations would be required to provide pharmacies with a copy of any contract, amendment, payment schedule, or reimbursement rate signed on behalf of the independent pharmacy within 10 calendar days after the execution or amendment of the contract. An organization would be prohibited from requiring pharmacies to purchase specific amounts of prescription drugs to access discounts. The bill details other requirements of the contract. An organization would not discriminate on the price of drugs sold to an independent pharmacy based on the price from a wholesale distributor.

An organization that owns or is owned, in whole or in part, by an entity that manufactures, sells, or distributes prescription drugs, biological products or medical devices would not require that an independent pharmacy purchase drugs or medical devices solely from the entity that has an ownership interest in the organization. The bill also describes the procedures for disputes and appeals between an independent pharmacy and a PBM or third-party payer. If a pharmacy services administrative organization does not comply with this Act, as determined by the Commissioner, the organization would pay a penalty of \$500 per day until the Commissioner determines that the applicable provision is met. Failure to comply would be grounds for revocation or nonrenewal of the license. Any violation of the Kansas Pharmacy Services Administrative Organization Act would be considered an unfair trade practice.

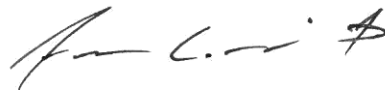
Estimated State Fiscal Effect			
	FY 2026	FY 2027	FY 2028
Expenditures			
State General Fund	--	--	--
Fee Fund(s)	--	\$82,886	\$75,386
Federal Fund	--	--	--
Total Expenditures	--	\$82,886	\$75,386
Revenues			
State General Fund	--	--	--
Fee Fund(s)	--	\$1,600	\$1,200
Federal Fund	--	--	--
Total Revenues	--	\$1,600	\$1,200
FTE Positions	--	1.00	1.00

The Department of Insurance states that there are eight pharmacy services administrative organizations supporting independent pharmacies in Kansas. Therefore, the licensing fee that would be collected in FY 2027 totals \$1,600 (8 X \$200) and \$1,200 (8 X \$150) would be collected in FY 2028. Enactment of the bill would add new tasks for the policy examiners within the Rate

and Form Compliance division. The Department states that given the current staff and workload, the division would not be able to effectively absorb the additional duties the bill would generate. The agency would require 1.00 position at a cost of \$82,886 from the Insurance Department Service Regulation Fund in FY 2027, which includes \$75,386 for salary and benefits and \$7,500 for related operating expenditures, such as office supplies, furniture, information technology equipment, and communication. For FY 2028, the Department estimates expenditures of \$75,386 for the new position.

The Office of Judicial Administration states that the bill would have a negligible effect on expenditures and revenues. Any additional expenditures could be absorbed within existing resources. The Board of Pharmacy states that enactment of the bill would not have a fiscal effect. Any fiscal effect associated with HB 2551 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Kyle Strathman, Department of Insurance
Alexandra Blasi, Board of Pharmacy
Trisha Morrow, Judiciary