

February 12, 2015

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 235-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 103 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 103 is respectfully submitted to your committee.

Under current law, prescription benefit managers (PBMs) are required to register with the Kansas Insurance Department in order to conduct business in Kansas. Most insurance plans, Medicare and Medicaid use PBMs to handle payments for prescription medications. Pharmacies are required to contract with each PBM in order to be reimbursed from the various prescription plans. SB 103 would give the Kansas Insurance Commissioner authority for regulatory oversight of all PBM business practices. The bill would require each PBM to update the proper price list every seven business days in order to have proper payments when pharmacies are reimbursed for prescriptions. The bill would require each PBM to provide comprehensive data on drug prices and provide how prices are determined. The bill would require PBMs to document that the drugs priced on its list are actually available for purchase by the Kansas pharmacy at the price the PBM is providing reimbursement. In addition, the bill would require a PBM to implement an appeal process for network pharmacies regarding the reimbursements of drugs that are subject to maximum allowed cost (MAC) pricing.

According to the Kansas Insurance Department, any additional workload that would result from the enactment of SB 103 could be absorbed by the agency's current staff and budget. The Kansas Board of Pharmacy states the bill would have no fiscal effect on the agency.

The Kansas Department of Health and Environment (KDHE) states the bill would reduce the flexibility of PBMs using MAC pricing for generic drugs available from multiple manufacturers. KDHE considers the use of MAC pricing for generic drugs an effective mechanism to control prices for the state's healthcare plans. By restricting the use of MAC pricing, KDHE estimates the bill has the potential to increase cost the state's healthcare plans by \$3,145,976 in FY 2016 and \$3,350,923 in FY 2017. The other state funded healthcare plans,

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KanCare and SCHIP, could experience similar cost increases but since the managed care organizations for those plans each have their own PBMs an accurate fiscal estimate cannot be made at this time. Any fiscal effect associated with SB 103 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in dark ink, appearing to read "Shawn Sullivan", with a long horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Aaron Dunkel, KDHE
Glenda Haverkamp, Insurance Department
Debra Billingsley, Pharmacy