

May 13, 2021

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

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 128 by Senate Committee on Public Health and Welfare

In accordance with KSA 75-3715a, the following fiscal note concerning SB 128 is respectfully submitted to your committee.

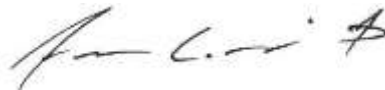
SB 128 would prohibit disparate treatment of pharmacies and pharmaceutical services providers participating in the federal 340B drug pricing program by Pharmacy Benefit Managers.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	--	(\$30,740,000)
Expenditure	--	--	\$163,541	\$375,793
FTE Pos.	--	--	--	--

The State Employee Health Plan estimates additional pharmaceutical expenditures of \$3,250 in FY 2022 and \$7,053 in FY 2023. The Kansas Department of Health and Environment (KDHE) states that this bill would make state-level changes to how the federal 340B drug pricing program would work in Kansas. The bill would decrease current exclusions for 340B drug use by including contract pharmacies in the definition of “340B covered entity,” and would increase 340B drug use by Medicaid patients by extending 340B eligibility to more pharmacies. KDHE estimates additional FY 2022 pharmaceutical and administrative expenditures of \$372,543, including \$163,541 from the State General Fund. Under federal law, states cannot claim a Medicaid rebate for a drug that was purchased at a discount under the 340B program. To prevent duplicate

discounts, the Kansas Medicaid program would have to remove contract pharmacy 340B claims from rebate invoicing. This would result in a loss of the state and federal rebate dollars that are needed to fund the Medicaid program. KDHE estimates reduced drug rebate revenues of \$30,740,000 in FY 2022. Any fiscal effect associated with SB 128 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Alexandra Blasi, Board of Pharmacy
Jeff Scannell, Department of Administration
Dan Thimmesch, Health & Environment
Bobbi Mariani, Insurance