

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-0448/1	Introduction Number AB-0114
Description registration and regulation of pharmacy benefit managers, drug pricing transparency, granting rule-making authority, and providing a penalty	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
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Date 1/10/2020	

Fiscal Estimate Narratives

OCI 1/10/2020

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Description registration and regulation of pharmacy benefit managers, drug pricing transparency, granting rule-making authority, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

OCI regulates the insurance industry, including insurers and agents. This bill requires the Office of the Commissioner of Insurance (OCI) to newly regulate pharmacy benefit managers (PBMs). Under the bill, PBMs are required to register with OCI and adhere to certain price transparency requirements, as well as requirements on contracts they enter into with pharmacies, pharmacists, or health benefit plan sponsors

OCI currently does not have staff with expertise in the operation of PBMs or PBM contracting. To sufficiently regulate PBMs to ensure compliance with the various requirements set forth in the bill, including but not limited to: registration, compliance with contracting requirements, collection and review of required reporting, network adequacy, responding to complaints, and auditing for compliance, OCI will need resources as detailed below.

Long-Range Fiscal Implications

Market Regulation Positions (Ongoing): \$546,706

Position Title Number of Positions Needed Salary and Fringe (per person) Total

Supervisor 1 \$97,739 \$97,739

Advanced Examiners 3 \$81,390 \$244,170

Operations Program Associate 1 \$45,510 \$45,510

Consumer Affairs Insurance Examiner 1.5 \$70,970 \$106,455

Program Associate in Agent Licensing 1 \$52,832 \$52,832

TOTAL 7.5 \$546,706

IT/BI Expenses (One-Time): \$204,000

These funds would be used for the following:

- To support modifications to the current system used to license insurance agents, referred to as "State Based Systems," or SBS. This system would be leveraged for PBM registration.
 - o System needs to accept filings and supporting documents
- Electronic form filings need to be developed, including a means to accept drug formulary data, reports reflecting manufacturer rebates and administrative fees and network information.

There are thirty-six other states currently requiring some type of PBM registration or licensure requirement. Many of these states assess PBMs a fee to support the staffing and infrastructure needed to carry out the registration/licensing process and support other PBM related regulatory responsibilities. Fees vary widely across states, for example Tennessee assesses \$100 per new applicant and New Mexico charges \$1,100 per applicant.

OCI is a program revenue agency and funding derives from a mixture of assessments levied by OCI on insurance companies and fees paid by insurance agents to OCI. AB 114 creates 649.05(2) which requires a PBM to, "pay any registration fee set by the commissioner." OCI would anticipate pursuing the establishment and assessment of that fee to support operationalizing AB 114.