

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-0845/1	Introduction Number AB-0007
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Description
 pharmacy benefit managers, prescription drug benefits, and granting rule-making authority

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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Local:

<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <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
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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	

Agency/Prepared By OCI/ Jeff Grothman (608) 264-6239	Authorized Signature Sarah Smith (608) 267-9460	Date 1/28/2021
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Fiscal Estimate Narratives

OCI 1/28/2021

LRB Number	21-0845/1	Introduction Number	AB-0007	Estimate Type	Original
Description pharmacy benefit managers, prescription drug benefits, and granting rule-making authority					

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 license pharmacy benefit managers (PBMs) under the licensure framework that currently applies to the employee benefits plan administrators. Under the bill, PBMs are required to be licensed 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 outlined in the bill, including but not limited to: licensure, disciplinary actions against PBMs, 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

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

1-Supervisor \$97,739

3-Advanced Examiners @ \$81,390 = \$244,170

1-Operations Program Associate \$45,510

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

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

TOTAL FOR 7.5 NEW FTE Positions ANNUALLY = \$546,706 (Market Regulation Positions)

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.
- The 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 almost 40 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 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. Under Wis. Stat. § 601.31(1)(w), Assembly Bill 7 sets the licensure & Renewal fee for PBMs at \$100 annually.