



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
Mark V. Afable, Commissioner

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April 2, 2019

2019 Assembly Bill 114 (LRB-0448/1)

Mr. Jeff Renk
Senate Chief Clerk
State Capitol
P.O. Box 7882
Madison, WI 53707

Mr. Patrick Fuller
Assembly Chief Clerk
17 West Main Street
Room 410
Madison, WI 53703

Re: Social and Financial Impact Report—2019 Senate Bill 100 and 2019 Assembly Bill 114—relating to registration and regulation of pharmacy benefit managers, drug pricing transparency.

Dear Chief Clerks Renk and Fuller:

Pursuant to s. 601.423, Wis. Stat., the Office of the Commissioner of Insurance (OCI) is submitting a social and financial impact report on 2019 Senate Bill 100 and 2019 Assembly Bill 114, relating to registration and regulation of pharmacy benefit managers, drug pricing transparency.

Prescription Drug Charges; Choice of Provider

OCI has determined that Sections 13 (Prescription Drug Charges; Choice of Provider) and 16 (Creation of Ch. 649), in the proposed bills requires a social and financial impact report for the following reasons:

1. Requires a particular benefit design or imposes conditions on cost sharing under an insurance policy, plan, or contract for the treatment of a particular disease, condition, or other health care need, for a particular type of health care treatment or service, or for the provision of equipment, supplies, or drugs used in connection with a health care treatment or service.
2. Imposes limits or conditions on a contract between an insurer and a health care provider, as defined in Wis. Stat. § 146.81 (1).

Social Impact

OCI has reviewed the provisions contained in 2019 Senate Bill 100 and 2019 Assembly Bill 114, amending various insurance statutes and creating chapter 649. The health insurance provisions outlined in the bills have the potential to affect Wisconsin consumers who have coverage for and utilize prescription medications and devices through fully insured or self-insured plans. OCI is unable to determine to what extent, if any, the proposals could decrease the cost of prescription pharmaceuticals and devices if price transparency at the pharmacy benefit manager level reduces overall pharmaceutical costs or if they could increase access through contract

requirements and restrictions. OCI is unable to determine the number of persons who would be affected by these health insurance provisions. Further, the availability of insurance coverage for consumers without these health insurance provisions is indeterminate. To the extent that consumers have coverage for prescription drugs or devices, OCI is unable to determine if these proposals could increase access and affordability through requirements including a reasonable network of pharmacies. Alternatively, limitations on mail-order pharmacies could reduce access to prescription medications for some consumers with limited mobility or with limited access to transportation, particularly in rural communities.

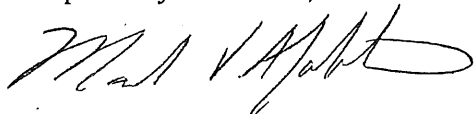
Financial Impact

OCI is unable to determine to what extent, if any, the newly proposed health insurance provisions will have a financial impact on insurers. The bills are intended, in part, to increase consumer access and affordability of prescription drug and devices through a series of requirements and restrictions. For example, pharmacists may disclose an alternative, less expensive method for purchasing prescription drugs that could reduce costs for consumers. Called the "pharmacist gag clause," federal legislation recently signed into law already prohibits these restrictions of pharmacists for commercial plans. The federal law change will impact guidance from pharmacists for Medicare beneficiaries on January 1, 2020. These provisions may result in increased utilization of prescription drugs and possible improved adherence to prescription drug protocols that could also improve consumer's medical outcomes. Improved overall health may reduce the necessity for more expensive health care treatments. At this time, however, OCI is unable to determine how 2019 Senate Bill 100 and 2019 Assembly Bill 114 will impact the total cost on the health insurance industry in Wisconsin.

While there is a potential for increased affordability and accessibility, the bills also contain numerous requirements for insurers, self-insured plans, and pharmacy benefit managers that have the potential to increase administrative costs. Audit requirements, expanded network adequacy, increased reporting requirements, and limitations on cost sharing may increase insurers' expenses. Further, the bill may limit insurers from utilizing certain methods currently employed to reduce pharmaceuticals costs which may result in additional prescriptions drug costs for insurers. OCI is unable to determine the extent to which these additional requirements could increase administrative and claims costs. Additionally, OCI is unable to determine how the proposed requirements on insurers may impact premium costs to consumers and employers.

Please contact Olivia Hwang at (608) 267-9460 or Olivia.Hwang@wisconsin.gov if you have any questions.

Respectfully Submitted,



Mark V. Afable
Commissioner

Cc: The Honorable Tony Evers, Governor of Wisconsin