

HB 272, PHARMACY BENEFIT AMENDMENTS, (Ray, P)

Anticipated Fiscal Impact:

\$3,712,171 (\$15.02 PEPM)

Summary:

HB 272 defines the relationship between pharmacies, pharmacy benefit managers (PBM), and health plans and has multiple points where it modifies PEHP's current pharmacy program and its PBMs current practices which would have a fiscal impact on the state employee risk pool.

- **Point-of-Sale Rebates.** PEHP currently collects 100% of available manufacturer rebates on drugs through its PBM and uses them to reduce overall costs for the state health insurance risk pool. HB 272 requires PBMs and insurers to share rebates from pharmaceutical manufacturers with members based on cost sharing, rather than putting those rebates back into the state risk pool. This changes from the current practice and will cost an estimated \$1,191,732 per year. This represents the amount that the members would now collect in rebates versus what goes in the state insurance risk pool.
- **Exclusive Specialty Pharmacy.** PEHP currently uses an individual pharmacy, Accredo, for dispensing specialty drugs to provide the lowest cost drugs to the state and its members. HB 272 requires all pharmacies be able to perform the same services and will end the ability to contract with this individual pharmacy to lower drug prices. This change will not only raise the rate paid for specialty drugs, but will also eliminate the ability to collect data about copay coupons for the purpose of calculating deductibles. These changes will result in an estimated cost of \$4,003,711 per year.
- **Pharmacy Cost Equalization.** PEHP currently uses a broad pharmacy network and pays pharmacies different rates based on location. HB 272 requires all network pharmacies to be paid the same rate. The result will lead an increase in

cost due to paying all pharmacies the same or a decrease in rates paid to rural pharmacies or loss of coverage due to lack of participating pharmacies. Unless PEHP blends the cost between urban and rural pharmacies, the cost to raise urban rates to match rural rates would cost at least \$750,000.

- **Administrative Costs.** Many PBMs manage the network for client insurers. HB 272 requires insurers to notify pharmacies that the insurer is operating in a geographic area and provide an opportunity to contract. In addition, the insurer must notify enrollees of changes to the pharmacy network. Currently, PBMs provide notification. Addition of these administrative tasks will require 0.25 FTE and materials and an estimated cost of \$15,000 which can be handled within PEHP's existing budgets.
- **Claim-level rebate information.** This bill also requires a PBM to provide claim-level rebate information to an insurer, like PEHP. The lack of this information currently prevents PEHP from being able to take advantage of potential additional rebates or lower costs in its pharmacy program by modification of the drugs on its formulary. PEHP currently receives about \$10 PMPM in rebates from its PBM. Assuming PEHP could receive an additional 20% in rebates or cost savings (\$2 PMPM) above its current rebates with this additional information would result in a savings of \$1,483,272 to the state risk pool.
- **Requirement of open networks for pharmacies.** This bill requires health plan to contract with any willing pharmacy. It also prohibits performance-based contracts. PEHP currently has an open network and has not yet entered into performance-based contracts for the state health insurance risk pool. Consequently, the bill would not add costs but it does preclude the opportunity for potential savings. The Medicare Part D benefit operated by PEHP uses a closed network and performance-based contracting which has resulted in savings of \$2.6M. The bill, however, only applies to Health Plans as defined, which does not include the Medicare Part D benefit.

In sum, the net cost to the state employee risk pool from each of the pieces of this bill is \$3,712,171 with other potential costs of \$750,000 in higher urban pharmacy costs.

(\$1,191,732 for point of sale rebates + \$4,003,711 for an exclusive specialty pharmacy ban
- \$1,483,272 in claim-level rebate information = \$3,712,171)