PEHP Health & Benefits

SB 138, PHARMACY BENEFIT MANAGER REVISIONS, (Vickers, E)

Anticipated Fiscal Impact:

$1,731,166 per year ($7.00 per employee per month)

Summary:

SB 138 imposes certain prohibitions on pharmacy benefit managers (PBMs). Because PEHP uses a PBM, provisions in SB 138 that increase cost for PBMs will also increase costs for the state health insurance risk pool.

First, lines 220-221 have the effect of prohibiting "traditional" contracts by disallowing spread pricing. Spread pricing occurs when the amount the PBM pays a pharmacy is lower than the amount the PBM charges a health plan. Spread pricing is the mechanism by which a health plan pays for the administrative fees of the PBM. In PEHP's case it is the only source of payment to the PBM.

According to PEHP's most recent RFP for a PBM in 2017 and as confirmed by the Legislative Auditor, PEHP was able to secure a better contract rate with a PBM by using a traditional contract. See 2019-13 legislative audit report found at: https://le.utah.gov/audit/ad_2019dl.htm. Based on that contract and given an industry inflation factor of 3%, the cost for eliminating spread pricing would be $1,453,000 a year for the state.

Second, SB 138 prohibits PBMs and health plans from benefitting from preferential rates available through a 340B pharmacy and, instead, requires PEHP to pay full commercial rates. It also disqualifies PEHP from receiving normally available rebates for drugs from a 340B pharmacy. Together, this would cost the state $229,000/year.

Third, SB 138 prohibits PBMs from using a single mail-order source and, instead, allows all network pharmacies to dispense up to a 90-day supply by mail. The cost of using mail order through retail pharmacies is 4% higher. Assuming 25% of members would move from our single mail order source to another retail pharmacy, the cost would be $49,166 to the state per year.