



Ohio Legislative Service Commission

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: H.B. 127 of the 131st G.A.

Date: April 3, 2015

Status: As Introduced

Sponsor: Reps. Brown and Cera

Local Impact Statement Procedure Required: No

Contents: To regulate pharmacy benefit managers

State Fiscal Highlights

- The bill may increase the Department of Insurance's administrative costs due to pharmacy benefit manager (PBM) registration and regulation requirements. If there is any increase in such costs, it would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The bill allows the Superintendent of Insurance to impose fees and fines related to PBM registration and regulation by rule. The bill does not specify fee amounts, nor does it specify a fund to receive any revenue that may result from such fees or fines. Assuming all such revenue is deposited into Fund 5540, it would offset the Department's costs associated with the PBM registration and regulation requirements.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Pharmacy benefit managers

The bill prohibits a pharmacy benefit manager from doing business in Ohio without first registering with the Superintendent of Insurance. The bill defines a "Pharmacy Benefit Manager" (PBM) as "an entity that contracts with pharmacies on behalf of an employer, a multiple employer welfare arrangement, public employee benefit plan, state agency, insurer, managed care organization, or other third-party payer¹ to provide pharmacy health benefit services or administration." The bill also prohibits a plan sponsor or a pharmacy from entering into a contract with an unregistered PBM.

The bill specifies registration and renewal requirements for PBMs. A registration or a renewal is valid for two years. The bill requires the Superintendent to adopt rules related to the registration application, fees, and fines associated with the PBM registration requirements. The bill does not specify the amount of any application fee, or of any other fees.

The bill specifies requirements related to a contract between a PBM and a pharmacy. The requirements primarily govern maximum allowable cost pricing, which the bill defines to be the maximum drug product reimbursement for a pharmacy used by the PBM.

Fiscal effect

The bill may increase the Department of Insurance's administrative costs related to registering and regulating PBMs who would do business in the state. Any increase in such costs would be paid from the Department of Insurance Operating Fund (Fund 5540). In addition, the bill allows the Superintendent of Insurance to impose fees and fines associated with registering and regulating PBMs. The bill does not specify the amounts of any such fees or fines, nor does it specify the fund to receive any resulting revenue; such revenue is assumed to be deposited into Fund 5540. The amount of such revenue would depend on the amounts set for any fees, the number of PBM applicants, and the amount of fines imposed and collected.

The provisions that prohibit a plan sponsor or a pharmacy from entering into a contract with an unregistered PBM and requirements related to a contract between a PBM and a pharmacy may have indirect fiscal effects on plan sponsors, including public employer health benefit plans. The bill could increase administrative costs for PBMs, and possibly also impact reimbursement rates for pharmacies. The bill thereby could increase costs for the state and local governments to provide health benefits to employees and their dependents. LSC would classify any such cost increases as indirect,

¹ R.C. 3901.38.

and they would plausibly be minimal. However, due to limited information related to prescription drug pricing and contracts, LSC staff are unable to quantify such indirect costs.

Medicaid

The Ohio Department of Medicaid does not anticipate that the provisions in the bill will affect Medicaid contracts with PBMs unless the Ohio Department of Insurance charges registration fees.

HB0127IN.docx/th