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OHIO LEGISLATIVE SERVICE COMMISSION

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Office

H.B. 135
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsors: Reps. Manchester and West

Local Impact Statement Procedure Required: No

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Highlights

- The bill may minimally increase administrative costs for the Department of Insurance to monitor health insurers' and pharmacy benefit managers' compliance with the bill's requirements. Any increase in such costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The bill's requirements governing pharmacy benefit managers would likely result in a minimal increase in costs to the state to provide health benefits to employees and their dependents. Such costs are paid out of the Health Benefit Fund (Fund 8080), which receives transfers from the GRF and other state funds. There may also be a minimal increase in costs for the Medicaid Program, which contracts with a pharmacy benefit manager that may be required to comply with the requirements. In both cases, LBO would classify the fiscal effects as indirect, as they depend on a manager passing through its cost increases in its contract with the state.
- Similarly, some local governments may experience an increase, likely minimal, in costs to provide health benefits to employees and their dependents. Any such increase may be direct or indirect for a particular local government, depending on whether it is self-insured or purchases a health insurance policy, and in either case whether a pharmacy benefit manager is involved.

Detailed Analysis

The bill requires a health insurer to include all amounts paid by an insured person and on behalf of the insured person when calculating that person's contribution to any applicable cost-sharing requirement for a prescription drug. Examples of payments made on behalf of an insured person are manufacturer coupons and financial assistance. The bill specifies that the

requirement does not apply to cost sharing for a brand prescription drug that has a medically appropriate generic equivalent,¹ unless the prescriber determines that the brand prescription drug is medically necessary. The bill's requirements apply to health insuring corporations (HICs) and sickness and accident insurers that are delivered, issued for delivery, modified, or renewed on or after January 1, 2022. The requirement applies also to a pharmacy benefit manager (PBM) that has a contract with a health insurer to manage, either directly or indirectly, the insurer's prescription drug benefit.

Under the bill's definition of a pharmacy benefit manager, it is likely that the single PBM which was selected by the Ohio Department of Medicaid (ODM) in January 2021, would be required to comply with the PBM components of the bill.

Fiscal effect

The bill's requirements may minimally increase administrative costs for the Department of Insurance, as the Department would have to monitor compliance by health insurers and PBMs. Any increase in such costs would be paid from the Department of Insurance Operating Fund (Fund 5540). Revenue to Fund 5540 is from various fees paid by insurance companies, primarily fees paid for appointing insurance agents.

The state health benefit plan uses a PBM for the prescription drug benefit under the plan and a Department of Administrative Services official reports that the PBM does not currently count manufacturer coupons toward a member's out-of-pocket maximum. So there would be a reduction in cost-sharing payments to the PBM under the bill, which would likely minimally increase the cost to the state of providing health benefits to employees and their dependents. Because the cost increase depends on whether the PBM cost increase is passed through to the state via contract, LBO would classify such a cost increase as indirect. Any increase in cost to the state plan would be paid from the Health Benefit Fund (Fund 8080). Fund 8080 receives funding through state employee payroll deductions and state agency contributions toward their employees' health benefits, which come out of the GRF and various other state funds. Similarly, ODM may experience indirect fiscal effects from the bill, as the bill's requirements are likely to increase costs to ODM's single PBM, which in the long term may increase costs to ODM.

Similarly, local governments and school districts may also experience increases in costs to provide health benefits to employees and their dependents. Any local governments whose plans already comply with the bill's requirements would not experience such an increase in costs. LBO does not have information on the detailed provisions of local government health benefit plans, and so cannot quantify the effect on local government costs, but LBO staff believe that it is likely minimal if there is an effect on costs. Whether a cost increase is a direct or indirect fiscal effect would depend on the specifics of a political subdivision's health benefit plan, i.e., whether it is self-insured, or uses an insurance policy, and whether a PBM is involved.

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¹ "Generic equivalent" means a drug that is designated to be therapeutically equivalent, as indicated by the U.S. Food and Drug Administration's publication *Approved Drug Products with Therapeutic Equivalence Evaluations*.