

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2016 REGULAR SESSION**

**MEASURE**

2016 BR NUMBER **1739**

**HOUSE** BILL NUMBER **458/GA**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to pharmacy benefits.**

**SPONSOR** **Representative Jeff Greer**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: **Cabinet for Health & Family Services; Personnel Cabinet; Dept. of Insurance**

FUND(S) IMPACT:  GENERAL     ROAD     FEDERAL     RESTRICTED AGENCY \_\_\_\_\_     OTHER

**FISCAL SUMMARY**

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
<b>REVENUES</b>				
<b>EXPENDITURES</b>		\$5,700,000-\$11,200,000	\$5,700,000-\$11,200,000	\$5,700,000-\$11,200,000
<b>NET EFFECT</b>		(\$5,700,000-\$11,200,000)	(\$5,700,000-\$11,200,000)	(\$5,700,000-\$11,200,000)

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The purpose of this measure is to prohibit insurers from requiring the use of mail-order pharmacies except for specialty drugs which cannot be provided by retail pharmacies and to prohibit a difference in cost-sharing between retail and mail-order prescriptions.

**PROVISIONS/MECHANICS:** Section 1 amends KRS 304.17A-165 to prohibit insurers from requiring the use of mail-order pharmacies except for specialty drugs, which cannot be provided, by retail pharmacies, prohibits a difference in cost-sharing between retail and mail-order prescriptions, and defines "specialty drugs".

Section 2 amends KRS 18A.225 to require any plan offered by the Personnel Cabinet to prohibit the requirement of mail-order pharmacies and to prohibit a difference in cost-sharing.

Section 3 amends KRS 205.522 to require a Medicaid managed care organization from requiring

the use of mail-order pharmacies, except for specialty drugs, which cannot be provided by retail pharmacies, and to prohibit a difference in cost-sharing between mail-order and retail prescriptions.

**FISCAL EXPLANATION:** The Cabinet for Health and Family Services estimates that the legislation would not have a fiscal impact on the Medicaid fee-for-service pharmacy benefit program. However, the provisions of the legislation may have an impact on the Medicaid managed care programs. The definition of "specialty drugs" as contained in the bill is not consistent with that used in the various Medicaid managed care pharmacy benefit programs. The provisions of the bill would reduce the savings experienced in the Medicaid managed care pharmacy benefit programs through the current use of specialty networks and specialty drugs. The Cabinet estimates that the inability to generate these savings would increase pharmacy costs in Medicaid managed care pharmacy benefit programs approximately \$4.7 million to \$7.2 million each year, which could impact Medicaid costs.

The Personnel Cabinet estimates that the bill may result in an increased cost to the Kentucky Employees Health Plan (KEHP) of \$1 million to \$4 million. The Personnel Cabinet finds that based on the requirements included in the legislation, local pharmacies can fill about 60 specialty drugs. Although local pharmacies have to agree to the financial terms of the Personnel Cabinet contract, local pharmacies do not include the specialty drug guideline management review service that the Personnel Cabinet's current pharmacy benefit manager provides to ensure correct dosing of drugs, interaction with other drugs, and other factors when dispensing specialty drugs.

The Department of Insurance (DOI) estimates that the bill will have no fiscal impact on the DOI.

**DATA SOURCE(S): Cabinet for Health & Family Services; Personnel Cabinet; Department of Insurance**

**PREPARER: Miriam Fordham NOTE NUMBER: 151 REVIEW: JRS DATE: 3/28/2016**