

**Kentucky Department of Insurance
Financial Impact Statement
HM Statement BR 809/SB 139**

- I. Mandating health insurance coverage of SB 139, is not expected to materially increase administrative expenses of insurers, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The following is a brief description of the proposed mandates:
- a) Prohibits Pharmacy Benefit Managers (PBMs) from discriminating against any pharmacy that is located within the geographic coverage area of the PBMs network, and is willing to meet the terms and conditions for participation in the PBMs network that are related to reimbursement for services;
 - b) Requires the PBM to provide convenient patient access to pharmacies within a reasonable distance from a patient's residence as established for Medicare Part D, excluding mail-order pharmacies;
 - c) Allows the Commissioner to review and approve a PBMs compensation program to ensure reimbursement for pharmacy services are fair and reasonable and do not impede the maintenance of a reasonably adequate and accessible network;
 - d) Prohibits a pharmacy from prohibiting an insured a prescription by mail or other deliver methods;
 - e) Prohibits a pharmacy from requiring an insured to receive pharmacy services from a mail-order pharmacy or selecting an insured's use of pharmacy services by mail;
 - f) Prohibits insurers or PBMs from using a different cost-sharing amount for prescriptions filled from an affiliated mail-order or retail pharmacy.

The proposed legislation is not expected to materially increase administrative expenses.

The proposed SB 139, as described above, will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in premiums for health benefit plans, excluding Medicaid and the state employee plans, is approximately \$1.10 to \$6.83 per member per month (PMPM). This represents an increase of approximately 0.2% to 1.5% or approximately \$5.7 to \$35.4 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

The proposed SB 139, as described above, will increase the total cost of health care in the Commonwealth, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in the total cost of health care in the Commonwealth for health benefit plans, excluding Medicaid state employee plans, is approximately \$1.10 to \$6.83 per member per month (PMPM). This represents an increase of approximately 0.2% to 1.2% or approximately \$5.7 to \$35.4 million for all fully insured policies in Kentucky, excluding Medicaid and state employees, due to the increased costs for health plans.

Our analysis included use of data and statistics from the Center of Medicare and Medicaid (CMS), L&E prescription drug pricing model, two studies performed by Penn Law School in 2009 and 2015 “The Effect of Any Willing Provider and Freedom of Choice Laws on Prescription Drug Expenditures”, the KY 2017-2020 Benchmark Plan, and a 2017 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI). Our analysis is based on our interpretation that the cost-sharing amount must be equal per 30-day supply, noting that mail-order prescriptions are often 90-days’ supply versus 30-days’ supply for retail prescriptions.

Our analysis assumes that it will not be necessary for the Department to make any final determinations under the new mandated authority to review and approve a PBMs compensation program to ensure reimbursement for pharmacy services are fair and reasonable, which would result in any material increase in health care claim costs. However, if that assumption is incorrect and the Commissioner ultimately decides it’s appropriate or necessary to approve programs which increases reimbursements, health care premiums would also be expected to increase.



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Commissioner, Department of
Insurance March 1, 2019