

Kentucky Department of Insurance
Financial Impact Statement
HM Statement SB 149/BR 1506

- I. Mandating health insurance coverage of BR 1506/SB 149, will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The proposed bill mandates the following:
- a. Prohibits an insurer/PBM from requiring an Insured to use mail-order pharmacy in order to receive coverage.
 - b. Prohibits an Insurer/PBM from requiring an Insured to pay cost sharing that is greater than what was paid at the point of sale;
 - c. Prohibits an insurer/PBM from imposing a cost-sharing requirement or fee for pharmacy services received from a retail pharmacy/pharmacist that is greater than what would be required if a mail-order pharmacy was used if the retail pharmacy/pharmacist has agreed to accept reimbursement at no more than the amount that would have been reimbursed to the mail-order pharmacy.
 - d. Prohibits an insurer/PBM from imposing a cost-sharing requirement or fee for pharmacy services that are not equally imposed on all insureds in the same benefit category, class, or cost-sharing level.
 - e. Prohibits requiring or incentivizing insured to use pharmacy affiliates, including prohibiting charging less cost sharing for the use of a pharmacy affiliate than for nonaffiliated pharmacies.
 - f. Prohibits not providing equal access and incentives to all pharmacies within the PBM network, including the insured's right to choose the insured's network pharmacy of choice.

Our estimated increase in premiums for health benefit plans, excluding Medicaid and state employees, is approximately \$0.00 to \$2.16 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.3% or approximately \$0.0 to \$8.2 million for all fully insured policies in Kentucky, not including Medicaid and state employees, due to the increased costs for health plans.

The proposed BR 1506/SB 149, 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, is approximately \$0.00 to \$2.16 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.3% or approximately \$0.0 to \$8.2 million for all fully insured policies in Kentucky, not including Medicaid and state employees, due to the increased costs for health plans.

The proposed BR 1506/SB 149, as described above, 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 proposed legislation for all insured health benefit plan coverages, excluding Medicaid and state employees, is not expected to materially increase administrative expenses of Insurers. It is our assumption that Insurers will have this information readily available, and the additional administrative requirements imposed by this mandate would not significantly impact the administrative costs relative to current levels.

Our analysis included use of data and statistics from the National Community Pharmacists Association (NCPA), the National Center for Policy Analysis, the Lewin Group, the Connecticut and Pennsylvania General Assemblies, the Pharmaceutical Care Management Association, the National Library of Medicine Health Services Research, the National Center for Biotechnology Information, L&E's experience with PBM audits for other states, L&E's prescription drug pricing model, actuarial judgement, and a 2021 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI).

Note: Unfortunately, there is a lack of available and reliable data regarding PBM contracts and the pharmaceutical financial benefits PBMs and/or Insurers ultimately receive. Therefore, our fiscal impact range was estimated to the best of our ability considering our lack of access to such data and information.

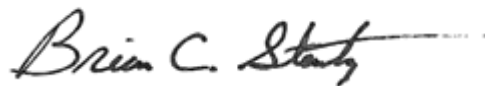
Note: We do acknowledge the potential for cost savings due to the additional transparency in PBM contracting that would result due to the prohibition of spread pricing models; however, it is unclear if those cost savings would remain indefinitely. It is our understanding that PBM's would have other methods of generating revenue when moving to a pass-through pricing model, one example being an increase in administration fees.

Disclosure: L&E made several assumptions in performing the analysis. Several of these assumptions are subject to material uncertainty and it is not unexpected that actual results could materially differ from these estimates if a more in-depth analysis were to be performed. Examples of uncertainty inherent in the assumptions include, but are not limited to, 1) data limitations, 2) the potential changes in available health benefit plan options and 3) the impact this bill may have on pharmacy fee arrangements.

Disclosure: Due to the material disclosure requirements required therein, we must acknowledge that the content of this report may not comply with Actuarial Standard of Practice No. 41 Actuarial Communications



Traci Hughes, F.S.A. M.A.A.A.
LEWIS & ELLIS, INC.
February 22, 2023



Brian Stentz, A.S.A. M.A.A.A.
LEWIS & ELLIS, INC.
February 22, 2023



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(Signature of Commissioner/Date)
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