

Kentucky Department of Insurance
Financial Impact Statement

- I. Mandating health insurance coverage of BR 898/BR 190 HCS 1, will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The proposed bill prohibits an insurer/PBM from imposing any cost-sharing requirement, fee, or other condition relating to the use of a retail pharmacy that is greater, or more restrictive, than what would otherwise be imposed if:
- (a) the insured used an in-network mail-order pharmacy or pharmaceutical distributor; and
 - (b) the use of an in-network mail-order pharmacy resulted in the drug not being delivered to the insured within 7 calendar days of the fill or refill request.

Our estimated increase in premiums for health benefit plans, excluding Medicaid and state employees, is approximately \$0.00 to \$0.64 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.1% or approximately \$0.0 to \$2.8 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 898/BR 190 HCS 1, 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 \$0.64 per member per month (PMPM). This represents an increase of approximately 0.0% to 0.1% or approximately \$0.0 to \$2.8 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 898/BR 190 HCS 1, 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 L&E's prescription drug pricing model, OptumRx, actuarial judgement, and a 2022 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI).

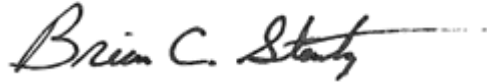
Disclosure: L&E made several assumptions in performing the analysis. Several of these assumptions are subject to material uncertainty and it is not unexpected that actual results could materially differ from these estimates if a more in-depth analysis were to be performed.

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



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March 12, 2024



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(Signature of Commissioner/Date)

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