

Kentucky Department of Insurance  
Financial Impact Statement  
HM Statement BR 1495/SB 149

1. Mandating health insurance coverage of BR 1495, 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. An insured's cost sharing for a prescription drug shall be calculated at the point of sale: and
  - b. All rebates received or estimated to be received by the insurer or pharmacy benefit manager (PBM) in connection with the dispensing or administration of a prescription drug to an insured shall be passed through as follows:
    - i. The cost sharing, except when in the form of a copayment, charged to the insurer shall be calculated based on a prescription drug price that is reduced by at least 85% of the rebates received or estimated to be received; and
    - ii. The rebates remaining after the aforementioned reduction shall be used to reduce the premiums charged by the health plan.

Our estimated increase in premiums for health benefit plans, excluding Medicaid and state employees, is approximately \$0.00 to \$20.08 per member per month (PMPM). This represents an increase of approximately 0.0% to 2.6% or approximately \$0 to \$89.0 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 1495, 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 \$20.08 per member per month (PMPM). This represents an increase of approximately 0.0% to 2.6% or approximately \$0 to \$89.0 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 1495, 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 L&E's experience with PBM audits for other states, actuarial judgement, and a 2022 Insurer annual data report provided to us by the Kentucky Department of Insurance (KY DOI).

Note: This mandate would likely cause significant upward pressure on pharmacy/healthcare pricing. However, 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 considers the likelihood of upward pressure on pricing based on actuarial judgement and the uncertainty of the impact of the proposed bill in total. Our considerations included the potential for induced utilization due to the reduction of cost-sharing, the potential for resulting changes in formulary, and the potential for insurers to price "lost" rebate dollars into other areas of the final premium, such as profit/risk margin.

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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February 6, 2024



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February 6, 2024



(Signature of Commissioner/Date)

FIS Actuarial Form 6-03