Local Government Mandate Statement
Kentucky Legislative Research Commission
2026 Regular Session

Part I: Measure Information

Bill Request #:	120	**Bill #:**	HB 512
Document ID #:	2202	**Sponsor:**	Representative Kimberly Poore Moser
Bill Title:	AN ACT relating to prescription drugs.		

Unit of Government: ☒ City ☒ County ☒ Urban-County ☒ Charter County ☒ Consolidated Local ☒ Unified Local

Office(s) Impacted: All offices that offer health insurance for their employees

Requirement: ☒ Mandatory ☐ Optional

Effect on Powers & Duties: ☒ Modifies Existing ☒ Adds New ☐ Eliminates Existing

Other Fiscal Statement(s) that may exist: ☒ Actuarial Analysis ☐ Corrections Impact ☒ Health Benefit Mandate ☒ State Employee Health Plan

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 512 **Section 1** would amend KRS 304.17A-164 to establish cost-sharing requirements and definitions relevant to such requirements related to insurance coverage of prescription drugs. That Section would include limited health service organizations in the definition of "insurer." New definitions include "price protection rebate" and "rebate" and excludes copayments as "cost sharing." **Section 1** requires an insured's cost sharing for a prescription drug be calculated at the point of sale and that the cost to the insured be based on a drug price that is reduced by at least 85% of the rebates received or anticipated. Rebates not applied to reduce cost sharing of the insured would be used to reduce premiums charged by the health plan to its insureds.

Information regarding the amounts of rebates on a product-, manufacturer-, or pharmacy-specific basis would be a trade secret non-discloseable by insurers, pharmacy benefit managers or other administrators or their agents. The commissioner of the Department of Insurance would be authorized to require disclosure of such information to the Department

to determine compliance with state or federal law, or in relation to a regulatory action or duty under KRS Chapter 304.

Section 2 provides that compliance with Section 1 would not be a violation of Kentucky's Trade Secrets Act.

Sections 3 and 4 would apply the requirements of Section 1 to limited health service benefit plans, for example, dental plans, vision plans, and others; **Section 5** would require any fully insured or self-insured health plan issued to public employees, including the Kentucky Employees Health Plan, to comply with **Section 1.**

HB 512 would have a significant negative fiscal impact on local governments. Local governments provide health care coverage to employees in one of three ways: by subscribing to the Kentucky Employees' Health Plan (KEHP), which provides coverage to 157 county and city governmental organizations, by self-insuring, or by contracting with a private health insurance company, including the KACo (KACo) Benefits Group or the Kentucky League of Cities (KLC) Health Plan.

KEHP estimates HB 512 would increase premiums by $124/year per planholder/employee beginning in Plan Year 2027. Since both employers and employees contribute to premiums, local government employers would see an increase in their premium payments.

A Fiscal Impact Report prepared for HB 512 estimates an impact on the Kentucky open insurance market due to the Act ranging from 0.0% to 1.0%, or a low impact of 0 dollars to a high impact of $6.88 per member per month.

Information for this mandate analysis was requested from KACo and KLC. If either or both of them respond this analysis may be amended.

Data Source(s): Department of Insurance; Fiscal Impact Report BR 120/HB 512, February 6, 2026; LRC Staff.

Preparer: MS **Reviewer:** BW (MDA) **Date:** 1/29/25