Andy Beshear
GOVERNOR

PERSONNEL CABINET
501 High Street, 3rd Floor
Frankfort, Kentucky 406 01
Phone: (502) 564 -7430
Fax: (502) 564 -7603

Mary Elizabeth Bailey
SECRETARY

Kentucky Department of Employee Insurance
State Employee Health Plan Impact Statement
HB 512 (BR 120) – Prescription Drugs (85% Rebates at Point-of-Sale)
February 10, 2026

Mandating health insurance coverage as required by HB 512 is expected to increase premiums, based upon the analysis of our Pharmacy Benefits Manager ("PBM"), CVS/Caremark, of the proposed mandate and experience with similar health insurance benefits. The proposed mandate requires that health benefit plans, including the Kentucky Employees' Health Plan ("KEHP"), pass manufacturer's pharmacy rebates to the patient at the point-of-sale at 85% to offset out-of-pocket costs. Currently, KEHP receives 100% of manufacturer rebates.

The estimated annual cost increase to KEHP is $17.6 million effective in Plan Year 2027. This represents an annual increased cost of $124 per planholder/employee based on current enrollment. Because the KEHP trust is funded by employee and employer premium contributions, this amount will necessitate an increase in plan premiums to be borne by the same.

Notably, this increase would be in addition to the Plan's pharmacy cost increase post enactment of KRS 304.17A-595 (2024 SB 188), which resulted in a total increase in pharmacy spend of $28.8 million attributable to that legislation. This impact was almost exclusively the result of a $29.7 million increase in dispensing fee costs, offset only minimally by a $0.9 million (0.1%) net savings in ingredient costs (exclusive of new-to-market and anti-obesity GLP1 drugs, which continue to be leading drivers in total pharmacy spend not attributable to SB 188). The impact of SB 188 is expected to continue to increase as the Department of Insurance sets a universal minimum dispensing fee for all pharmacies (as opposed to only independent pharmacies during the current phase-in period) effective in 2027 as required by the enacted legislation.

Our analysis is limited to the impact on KEHP.

Disclosure: Estimated impacts for KEHP on a per-member-per-month basis may be lower than would otherwise apply to a smaller health plan in the commercial space, due to the benefits of a larger risk pool, the nature of existing KEHP coverages, the use of tailored cost avoidance programs, and/or the ability to have greater purchasing power in the marketplace. Estimates are based on recent KEHP enrollment data which is subject to change.

Disclosure: CVS/Caremark made several assumptions in performing the analysis. Several of these assumptions are subject to uncertainties about future utilization and changes from recent rebate history, and it is not unexpected that actual results could materially differ from these estimates if a more in-depth analysis were to be performed.

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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Christopher M.A. Chamness
Commissioner
Department of Employee Insurance