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**Kentucky Department of Employee Insurance
Fiscal Impact Statement
SB 307 (BR 1406) – Step Therapy Protocols
March 25, 2026**

Mandating health insurance coverage as required by SB 307 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”), provide coverage for step-therapy drugs immediately on the date an exception is received until such time as it is denied. It also requires web-posting of step therapy protocols and the creation of an electronic PA and exception submission process.

The estimated annual cost increase to KEHP is \$12 million effective in Plan Year 2026. This represents an annual increased cost of \$85 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 GLP-1 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 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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