

Department of Planning and Budget

2006 Fiscal Impact Statement

1. Bill Number HB945

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Morgan

3. Committee Commerce and Labor

4. Title Pharmacy benefits managers.

5. Summary/Purpose:

Establishes requirements for the regulation and registration of pharmacy benefits managers, which are entities that administer or manage prescription drug benefits and whose services include the procurement of prescription drugs at a negotiated rate for dispensation within the Commonwealth, processing prescription drug claims, administering payments related to prescription drug claims, and negotiating contractual arrangements with pharmacy providers. The measure also establishes requirements for disclosures and other contractual provisions in agreements between pharmacy benefits managers and pharmacy providers. The measure also prohibits health insurers, corporations providing preferred provider subscription contracts, and health maintenance organizations from imposing upon any person receiving pharmaceutical benefits furnished under a policy, plan, or contract a different copayment, fee, or condition for persons that have prescriptions filled at a participating pharmacy other than a mail order pharmacy, regardless of the number of months for which the prescription is written.

6. Fiscal Impact Estimates are: Indeterminate

7. Budget amendment necessary:

8. Fiscal implications: This bill has the potential to increase the cost of the state employee health insurance program as well as other plans operated in Virginia. The bill would create expenses on the part of Pharmacy Benefit Managers associated with the compliance with new regulatory, registration and fiduciary requirements. These costs would most likely be passed along to purchasers of Pharmacy Benefit Managers services (including the state employee plan) in the form of higher administrative charges and lower rebates and/or discounts, ultimately resulting in higher premiums and copayments for plan participants.

In addition, certain provisions of the bill would greatly impact mail-order programs, including that of the state employee health program. Among other things, these provisions prohibit incentives or disincentives aimed at influencing beneficiaries to use mail order over retail (e.g., three copayments for a 90 day supply at retail vs. two copayments for the same amount at mail). These provisions would lead to erosion of discounts in the mail order programs, eventually resulting in the loss of a cost effective mail order option. This also

would result in higher program costs, leading to increased premiums (for both employer and employee) and higher copayments.

9. Specific agency or political subdivisions affected: All state agencies and political subdivisions that provide health insurance on behalf of their employees.

10. Technical amendment necessary: No

11. Other comments: None

Date: 1/30/2006/ JDH

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cc: Secretary of Administration