

State Corporation Commission 2016 Fiscal Impact Statement

1. Bill Number: HB1301

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Hodges

3. Committee: Commerce and Labor

4. Title: Pharmacy benefits administrators; explanation of benefits.

5. Summary: Pharmacy benefits administrators; explanation of benefits. Requires pharmacy benefits administrators to provide an explanation of benefits (EOB) to persons covered under health benefit plans for whom they processed or paid a claim for prescription drugs. The measure requires the EOB to be provided quarterly on a form approved by the State Corporation Commission. The measure also requires pharmacy benefits administrators to provide an EOB on a quarterly basis to covered individuals with regard to health insurance plans for current or retired state or local government employees or their dependents administered by the Department of Human Resource Management.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission. The fiscal impact estimate on the Department of Human Resource Management (DHRM) is unknown. See Item 8.

8. Fiscal implications: There is no fiscal impact on the State Corporation Commission. However, according to the Department of Human Resource Management, the fiscal impact of House Bill 1301 is estimated by its third party administrators as approximately \$2.1 million. This estimation is based on the following:

- For FY2015, there were 211,000 unique COVA patients that utilized the pharmacy benefit.
- The projected cost for each Explanation of Benefits document is \$1.50. (211,000 x \$1.50 x 4 quarterly mailings = \$1.2 million.)
- The cost for postage is \$0.49. (211 x \$0.49 x 4 quarterly mailings = \$413,000)
- Administration fee is projected at \$500,000 annually but could vary plus or minus.

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance; Department of Human Resource Management

10. Technical amendment necessary: See Item 11.

11. Other comments: The Bureau of Insurance (Bureau) advised the patron of House Bill 1301 that the Bureau does not have the authority to regulate pharmacy benefits administrators directly. The Bureau does have regulatory authority over the licensed health carriers that

enter into contracts with pharmacy benefits administrators to administer pharmacy benefits on their behalf. The changes outlined below would change the responsibility for compliance with the provisions of House Bill 1301 from the pharmacy benefit administrators to the health carriers operating in Virginia, and would also clarify related requirements within the bill:

- If the intention was to apply the requirement to all EOBs for pharmacy claims, replace the term “pharmacy benefits administrator” with “health carrier” on line 65.
- Replace the term “pharmacy benefits administrator” with “the health carrier or its pharmacy benefits administrator” on line 66.
- Since §38.2-3407.4 currently requires each health carrier to file explanation of benefits forms with the Commission for approval, replace “subsection C” with “§38.2-3407.4” on line 68, and delete subsection C on lines 69 through 71.
- If the intention was to apply the requirement to all EOBs for pharmacy claims, delete “pharmacy benefit administrator’s” on line 72.
- If the intention was to apply the requirement to all EOBs for pharmacy claims, replace the term “pharmacy benefits administrator or the health carrier” with “the health carrier or its pharmacy benefits administrator” on line 78.
- Since, according to subsection G, the health carrier is not required to use a pharmacy benefits administrator to administer pharmacy benefits, consider adding “If applicable” before “the amount billed by the pharmacy benefits administrator to the health carrier” on line 80.
- Section 38.2-3407.4 states that the Commission “may” promulgate regulations to establish standards for the accuracy and clarity of information presented in an explanation of benefits. For consistency with that section, on line 84, replace “shall” with “may.”
- Delete “by a pharmacy benefits administrator” on lines 85-86.
- Since the bill does not require the provider contract to include certain language, but does require the health carrier to perform certain actions when administering the health benefit plan, replace “entered into, amended, extended or renewed” with “delivered, issued for delivery, reissued or extended on and after January 1, 2017.”

Date: 02/03/16/V. Tompkins

cc: Secretary of Health and Human Resources