

# State Corporation Commission 2019 Fiscal Impact Statement

**1. Bill Number:** HB2516

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

**2. Patron:**        Hodges

**3. Committee:** Committee on Commerce and Labor

**4. Title:**         Health insurance rate reviews; pharmacy benefit price spread.

**5. Summary:** Requires the State Corporation Commission (Commission) to treat the price spread on any contract between the issuer of a health benefit plan and its pharmacy benefits manager as an administrative cost of the issuer. The measure requires the issuer's administrative costs to be excluded from the amount of benefits provided under a health benefit plan when the Commission determines the health benefit plan's anticipated loss ratio. The measure codifies portions of the Commission's regulations promulgated to implement the requirement that it review and approve the premium rates for health benefit plans, including the requirement that the benefits provided by a health benefit plan are reasonable in relation to the premiums charged.

**6. Budget amendment necessary:** No

**7. Fiscal Impact Estimates:** No Fiscal Impact on the State Corporation Commission

**8. Fiscal Implications:** None on the State Corporation Commission

**9. Specific agency or political subdivisions affected:** State Corporation Commission Bureau of Insurance

**10. Technical amendment necessary:** No

**11. Other comments:** The patron of House Bill 2516 introduced 2018 House Bill 573, which was passed by indefinitely in House Commerce and Labor. By letter dated March 6, 2018, the Chairman of the House Committee on Commerce and Labor asked the Bureau of Insurance to prepare an analysis and develop recommendations regarding issues raised by House Bill 573, the treatment of the price spread on any contract between the issuer of a health benefit plan and its pharmacy benefit manager (PBM). The data provided and analyzed indicated that carriers providing individual and small group health insurance coverage are treating price spread in the preferable manner. The Bureau of Insurance recommended that legislation to require the described treatment of administrative price spread in PBM contracts was unnecessary at the time of the study and indicated that the Bureau of Insurance would continue to monitor the issue.

**Date:** 01/27/19/V. Tompkins