

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB 568

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

2. Patron: Dunnavant

3. Committee: Education and Health

4. Title: Board of Medical Assistance Services; state pharmacy benefits manager

5. Summary: The proposed legislation requires the Department of Medical Assistance Services (DMAS) to select a third-party administrator to serve as the state pharmacy benefits manager (PBM) every four years. Under the bill, the state PBM is responsible for all claims under the state plan. The bill requires DMAS, in selecting the state PBM, to establish eligibility criteria, develop a master contract to be used between the state PBM and Medicaid managed care organizations (MCO), and establish mandatory disclosures for the applicants. The bill requires the state PBM, in consultation with DMAS, to develop a drug formulary for use when administering prescribed drug benefits on behalf of a Medicaid MCO under the state plan. The bill prohibits payments for drugs that exceed the per unit price on the formulary. The bill requires DMAS to establish an appeals process by which pharmacies may appeal any disputes relating to the maximum allowable cost set by the state PBM. The bill requires the state PBM to provide a quarterly report to DMAS containing certain information.

6. Budget Amendment Necessary: See Item 8

7. Fiscal Impact Estimate Is Indeterminate: See Item 8

8. Fiscal Implications: This bill requires DMAS to select a third-party administrator to serve as the statewide PBM. Medicaid MCOs, of which there are currently six, would be required to contract with the selected PBM and any savings to the state would result from the nature and cost of these new contracts. The results of such contract negotiations cannot be fully predicted at this time. However, based on data and findings included in a recent pharmacy benefit study conducted by DMAS (released November 27, 2019), the agency is able to estimate range of potential savings that may be generated

Dependent upon the outcome of contract negotiations, DMAS assumes that some pricing savings could be achieved. In addition, DMAS assumes rebate components, both costs and savings would result from the bill. DMAS also expects some administrative costs associated with contracting with a vendor and hiring additional staff. DMAS does not expect any significant increased savings from MCO administrative expenses, underwriting gains or re-pricing. In total, DMAS estimates total fund savings from the bill in base Medicaid and CHIP could range between \$5.0 million and \$16.8 million (\$2.4 million to \$8.1 million general fund). Further, there could be savings in the Medicaid Expansion population that

ranges between \$1.2 million and \$4.9 million. First year savings would be reduced by one month due to capitation payments being made one month in arrears.

9. Specific Agency or Political Subdivisions Affected:

Department of Medical Assistance Services

10. Technical Amendment Necessary: No

11. Other Comments: None