

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5213 S SB	<b>Title:</b> Pharmacy benefit managers
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## Estimated Cash Receipts

NONE

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Office of Insurance Commissioner	.3	0	0	103,945	.2	0	0	61,540	.2	0	0	61,540
<b>Total \$</b>	<b>0.3</b>	<b>0</b>	<b>0</b>	<b>103,945</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>61,540</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>61,540</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5213 S SB	<b>Title:</b> Pharmacy benefit managers	<b>Agency:</b> 107-Washington State Health Care Authority
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Sandy Stith	Phone: 786-7710	Date: 02/17/2023
Agency Preparation: Joseph Cushman	Phone: 360-725-5714	Date: 02/22/2023
Agency Approval: Megan Atkinson	Phone: 360-725-1222	Date: 02/22/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/23/2023

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Please see attached.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

Please see attached

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Please see attached

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

### III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# HCA Fiscal Note

Bill Number: 5213 SSB Pharmacy Benefit Managers

HCA Request #: 23-152

## Part II: Narrative Explanation

AN ACT Relating to pharmacy benefit managers' utilizations of nonresident pharmacies.

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Sec. 1(2) states that if a covered patient chooses to fill a prescription through a nonresident pharmacy, the Pharmacy Benefit Manager (PBM) shall ensure access to counseling by a pharmacist and shall have consumer safeguard processes including medication distribution management and shipping logistics.

Sec 1(3) states that if a covered person chooses a nonresident pharmacy to fill a prescription, the PBM shall allow for dispensing at local network pharmacies if the prescription is delayed by more that one day or if the drug arrives in an unusable condition.

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### II. B - Cash Receipts Impact

None

### II. C – Expenditures

Indeterminate.

If patients were to choose to have specialty drugs filled at community pharmacies instead of providing affirmative authorization to the current UMP preferred specialty pharmacy, then pharmacy costs will increase because the discount on prescription drugs is greater at the preferred specialty pharmacy than at community pharmacies. If 20% of the cost of specialty drugs were to shift to community pharmacies, and the increase in costs is about 3%, then UMP would see an annual increase of \$2.5 million due to this legislation.

## Part IV: Capital Budget Impact

None

## Part V: New Rule Making Required

None

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5213 S SB	<b>Title:</b> Pharmacy benefit managers	<b>Agency:</b> 160-Office of Insurance Commissioner
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.2	0.4	0.2	0.2
<b>Account</b>					
Insurance Commissioners Regulatory Account-State 138-1	73,175	30,770	103,945	61,540	61,540
<b>Total \$</b>	73,175	30,770	103,945	61,540	61,540

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Sandy Stith	Phone: 786-7710	Date: 02/17/2023
Agency Preparation: Jane Beyer	Phone: 360-725-7043	Date: 02/22/2023
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 02/22/2023
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/24/2023

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1(1) requires pharmacy benefit managers (PBM) to receive affirmative authorization from a covered person before filling a prescription through a non-resident pharmacy.

Section 1(2) requires, if a covered person chooses to fill a prescription through a non-resident pharmacy, the PBM to ensure the covered person has easy and timely access to prescription counseling by a pharmacist and must have consumer safeguard processes in place, including management of medication distribution and shipping logistics.

Section 1(3) requires, if a covered person chooses to fill a prescription through a non-resident pharmacy, the PBM to allow for dispensing at local network pharmacies if the prescription is delayed by more than one day or if the prescription drug arrives in an unusable condition.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Section 1(1) requires pharmacy benefit managers (PBM) to receive affirmative authorization from a covered person before filling a prescription through a non-resident pharmacy.

Section 1(2) requires, if a covered person chooses to fill a prescription through a non-resident pharmacy, the PBM to ensure the covered person has easy and timely access to prescription counseling by a pharmacist and must have consumer safeguard processes in place, including management of medication distribution and shipping logistics.

Section 1(3) requires, if a covered person chooses to fill a prescription through a non-resident pharmacy, the PBM to allow for dispensing at local network pharmacies if the prescription is delayed by more than one day or if the prescription drug arrives in an unusable condition.

Section 1 will require additional review of PBM provider contracts and health plan form filings to ensure that they are meeting the requirements of the bill and enrollees are being properly informed of their rights. The OIC receives approximately 200 pharmacy provider contracts and 312 health plan form filings each year and assumes the new review standards will result in an additional 30 minutes of review per provider contract filing; and an additional 15 minutes of review per form filing in FY2024, reduced to 5 minutes of review per health form filing beginning in FY2025 requiring 100 hours (200 provider contracts x 30 minutes) of a Functional Program Analyst 3 (FPA3) beginning in FY2024; 78 hours (312 health form filings x 15 minutes) of a FPA3 in FY2024; and 26 hours (312 health form filings x 5 minutes) of a FPA3 in FY2025 and thereafter. The OIC will also require one-time costs, in FY2024, of 18 hours of a Functional Program Analyst 4 to update filing review standards, update checklist documents and speed-to-market tools, train staff, and educate carriers.

Section 1 will impact consumers and pharmacies. OIC anticipates that pharmacists will inquire with the OIC about how these law changes impact them. This will generate a one-time call and written inquiry impact on the OIC. The OIC assumes .25% of the 112,000 licensed pharmacists, or 280, will contact the OIC with inquiries in FY2024. Informational cases generally take 10 minutes per case requiring one-time costs of 47 hours (280 inquiries x 10 minutes) of a FPA3 in FY2024.

Section 1 establishes new requirements for PBM’s with respect to use of nonresident pharmacies. As a result, the OIC anticipates an average of an additional one investigation and three enforcement cases, with one case being sent to hearing per year, to address complaints received by consumers, or consumer advocates, and violations identified by OIC’s divisions. Investigations generally take anywhere between 25-80 hours per case, enforcement actions require the equivalent of approximately 40 hours per case, and hearings generally take 50 hours per case. For purposes of this fiscal note, it is assumed that investigations will require 30 hours, enforcement actions will require 40 hours, and hearings will take 50 hours per case requiring 30 hours (1 case x 30 hours) of an Investigator 3 and 170 hours (3 cases x 40 hours + 1 hearing x 50 hours) of an Insurance Enforcement Specialist beginning in FY2024.

‘Normal’ rulemaking, in FY2024, will be required to define terms and clarify the requirements in subsections 1(1), (2), and (3) such as “affirmative authorization” under Subsection 1(1), and “easy and timely access” to prescription counseling by a pharmacist and shall have consumer safeguard processes including management of medication distribution and shipping logistics under Subsection 1(2).

Ongoing costs:

Salary, benefits and associated costs for .11 FTE Insurance Enforcement Specialist, .08 FTE Functional Program Analyst 3, and .02 FTE Investigator 3.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	73,175	30,770	103,945	61,540	61,540
<b>Total \$</b>			73,175	30,770	103,945	61,540	61,540

**III. B - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.2	0.4	0.2	0.2
A-Salaries and Wages	43,867	18,349	62,216	36,698	36,698
B-Employee Benefits	14,673	6,267	20,940	12,534	12,534
C-Professional Service Contracts					
E-Goods and Other Services	14,635	6,154	20,789	12,308	12,308
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	73,175	30,770	103,945	61,540	61,540

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Functional Program Analyst 3	73,260	0.1	0.1	0.1	0.1	0.1
Functional Program Analyst 4	80,952	0.1		0.0		
Insurance Enforcement Specialist	99,516	0.1	0.1	0.1	0.1	0.1
Investigator 3	77,028	0.0	0.0	0.0	0.0	0.0
Senior Policy Analyst	108,432	0.2		0.1		
<b>Total FTEs</b>		0.5	0.2	0.4	0.2	0.2



**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

‘Normal’ rulemaking, in FY2024, will be required to define terms and clarify the requirements in subsections 1(1), (2), and (3) such as “affirmative authorization” under Subsection 1(1), and “easy and timely access” to prescription counseling by a pharmacist and shall have consumer safeguard processes including management of medication distribution and shipping logistics under Subsection 1(2).