

Fiscal Note

BILL # SB 1161

TITLE: prescription drug coverage; steering prohibition

SPONSOR: Barto

STATUS: As Introduced

PREPARED BY: Maggie Rocker

Description

The bill would prohibit pharmacy benefit managers (PBMs) from requiring, steering, or otherwise inducing their enrollees to utilize an "affiliated provider" or a pharmacy to receive covered prescription drugs or physician-administered drugs. Affiliated providers include pharmacies or durable medical equipment providers in which the PBM has a direct or indirect controlling interest.

Estimated Impact

The bill could impact state employee health insurance costs to the extent that it impacts the costs of contracts between PBMs and pharmacies or other drug providers. It could also impact state employee utilization of covered prescription drugs if there are adjustments to cost-sharing requirements or pharmacy access as a result of the bill. The Arizona Department of Administration (ADOA) has not yet provided an estimate of the bill's fiscal impact.

There would be no impact on AHCCCS's contracted health plans because AHCCCS would be exempt from the requirements of the bill.

Analysis

Pharmacy benefit managers (PBMs) are paid entities that oversee prescription drug benefits on behalf of employers, health insurers, and other payors. PBMs are responsible for a variety of services, including developing formularies, negotiating discounts with manufacturers and wholesalers, contracting with providers, and processing prescription drug claims.

The bill would prohibit PBMs from engaging in certain practices that require, steer, or induce their enrollees to utilize an affiliated provider or a contracted pharmacy in lieu of other providers, such as physician office practices, hospital outpatient departments, or other outpatient clinical settings. The prohibited practices include steering patients through oral or written communication, requiring patients to use an affiliated provider or a pharmacy as a condition of coverage, inducing utilization of an affiliated provider or pharmacy by lowering out-of-pocket costs for use of such providers, transferring patients to an affiliated provider, or lowering reimbursement for non-affiliated providers. Affiliated providers include pharmacies or durable medical equipment providers in which the PBM has a direct or indirect controlling interest.

The prohibited practices in the bill may impact the costs of prescription drug coverage for state employee health coverage funded via the state Health Insurance Trust Fund (HITF) administered by ADOA. For example, to the extent that the PBM for state employees has contracted rates for non-affiliated providers that are currently lower than the rates paid to affiliated providers, the bill could increase contracted reimbursement of independent pharmacies or other non-affiliated providers. The bill could also impact utilization of covered prescription drugs. For example, to the extent that cost sharing and benefit coverage is currently different for affiliated providers versus non-affiliated providers, the bill may impact out-of-pocket costs or access to pharmacies for state employees, which may in turn impact utilization.

(Continued)



We have asked ADOA to provide an estimate of the impact on state employee health plan costs and are awaiting their response.

Local Government Impact

None

1/27/22