

Fiscal Note

BILL # HB 2208

SPONSOR: Bliss

PREPARED BY: Chandler Coiner

TITLE: pharmacists; pharmacies; reimbursement costs; appeals

STATUS: As Introduced

Description

This bill would prohibit pharmacy benefit managers (PBMs) from reimbursing a pharmacist or pharmacy under contract with the PBM for a prescription drug or device for less than the actual cost paid by the pharmacist or pharmacy. PBMs would also be required to pay a professional dispensing fee at a rate not less than the fee-for-service methodology used by the Arizona Health Care Cost Containment System (AHCCCS), and professional dispensing fees would not count toward the calculation of reimbursement versus actual costs paid.

Estimated Impact

We estimate that this bill would not increase state costs as the bill includes an exemption for the state employee health plan. The bill's requirements also do not apply to AHCCCS health plans.

To the extent that the PBM reimbursement requirements increase payments to pharmacies or pharmacists relative to current law, the bill may increase private health insurance plan premiums, which could increase state insurance premium tax collections. Whether such revenue increases would materialize would depend on how PBMs and health plans adjust their plan offerings in response to any reimbursement increases that occur under the bill. As a result, we cannot determine the impact of the bill in advance.

Analysis

Employers operating a self-insured health plan and insurance carriers often contract with a PBM to manage prescription drug benefits for their plan members. When a pharmacist in the PBM's network dispenses a medication to a member, the PBM reimburses the pharmacist and pays a dispensing fee using contracted amounts.

Under this bill, however, the PBM would be prohibited from reimbursing for less than the actual cost paid by the pharmacist. Because PBMs currently in some cases reimburse pharmacists below actual costs and pay dispensing fees at rates lower than the methodology prescribed by this bill, we estimate this bill would raise overall prescription drug costs.

At the February 17, 2025 House Health & Human Services Committee meeting, there was testimony that prescription drug dispensing fee costs would increase by \$290 million annually as a result of this bill. We are seeking confirmation of this estimate.

If higher dispensing fees result in increased health insurance premiums, the state may generate additional higher Insurance Premium Tax (IPT) collections. The state imposes a 2.0% tax on health insurance premiums. We have insufficient information, however, to estimate the level of additional IPT payments.

For example, higher dispensing fees may not fully translate into higher premiums. One reason for this relates to what is referred to as "spread pricing." This is where a PBM charges the health plan more than what it paid to the pharmacy for a prescription drug. The PBM collects the difference, or the "spread," as profit. To the extent that the PBMs absorb the



additional prescription costs resulting from this bill into their spread, rather than increasing what they charge their contracted health plans, this would reduce the increase in insurance premiums.

Additionally, even if a PBM does pass on the additional prescription costs onto the health plan, the health plan would not necessarily raise member premiums in response. The health plan could potentially absorb the costs into its current system, or even in some cases, raise copays on prescription drugs. To the extent that either of these occur, this would also reduce the increase in insurance premiums.

Local Government Impact

The impact on local governments' employee health insurance costs cannot be determined in advance. The impact would depend on current prescription drug reimbursement levels, as well as how local governments' contracted PBMs would respond to the added costs resulting from the bill.

2/25/25