



DOAA

Georgia Department
of Audits & Accounts

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State Auditor

January 21, 2025

Honorable Ron Stephens
Chairman, House Economic Development & Tourism Committee
226-A State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 46 0940)

Dear Chairman Stephens:

The bill would require that drugs dispensed under state health plans be reimbursed using an index-based price, plus a dispensing fee. The bill adds similar requirements for health plans more generally, including policies purchased through Georgia Access. Under the bill, insurers – including pharmacy benefits managers (PBMs) – would be required to reimburse a pharmacy for drugs dispensed to a covered person for self-administration in an amount equal to the national average drug acquisition cost (NADAC)¹ on the day of claim administration, plus an amount equal to 4 percent of the acquisition cost, or \$50, whatever is less, and a professional dispensing fee. Insurers would be required to calculate a beneficiary's cost share or deductible solely based on the ingredient cost of a prescription drug, and they would be prohibited from passing along the costs of the professional dispensing fee or deductible to a beneficiary. The bill has an effective date of January 1, 2026.

Based on information from the Department of Community Health (DCH), University System of Georgia (USG) and Office of the Commissioner of Insurance and Safety Fire (OCI), the bill would cost approximately \$39.5 million annually. Projected costs and assumptions for the three agency estimates are below.

Table 1. Estimated Annual Costs by Agency

DCH	USG	OCI	Total
\$34.5 million	\$4.9 million	\$0.1 million	\$39.5 million

Additional Plan Costs

Both DCH and USG would have additional costs as detailed below. Annual costs are associated with additional payments to pharmacies and to the pharmacy benefit managers, while one-time costs are associated with information technology updates.

¹ If the national average drug acquisition cost is unavailable, the insurer would be required to reimburse at the rate provided in the Georgia estimated acquisition cost and select specialty pharmacy rate on the day of claim administration. If this is also unavailable, the insurer would be required to reimburse at the wholesale acquisition cost on the day of claim administration.

Department of Community Health

A DCH contractor with access to pharmacy claims data analyzed the impact of the bill. An actuarial estimate was developed by reviewing all 2023 pharmacy claims for the State Health Benefit Plan (SHBP) and repricing them based on the bill language—index pricing, 4% (or \$50) fee, and professional dispensing fee that was assumed at \$11.50. The resulting estimate is a 1.6% cost increase from the 2023 claims totals. As shown in **Table 2**, this cost is estimated at \$24.2 million.

DCH also noted that the PBM charges additional administrative fees when a NADAC pricing model is implemented. As shown in **Table 2**, SHBP's PBM stated that the fee would be \$1.51 per claim, or \$10.3 million for 6.8 million claims. Finally, the PBM would need to implement software changes to include the pricing logic in the bill (i.e., use NADAC; if unavailable, use Georgia estimated acquisition cost, etc.). This would require approximately 8 months at a cost of approximately \$825,000.

Table 2. Additional Costs for SHBP

Repricing Estimate	<u>2023 Claims</u> \$1,491,385,003	<u>Repriced 2023 Claims</u> \$1,515,609,812	<u>Repricing Increase</u> \$24,224,809
Administrative Fee	<u>2023 Claims</u> 6,773,650	<u>Additional Admin Fee</u> \$1.51 per claim	<u>Admin Fee Increase</u> \$10,288,211
IT Enhancements (One time)			\$825,000
Total			\$35,338,020

DCH does not estimate a fiscal impact on the Medicaid program, as it already uses NADAC pricing.

University System of Georgia

USG provided an estimate compiled by the same contractor based on the model used to generate the SHBP estimates.² Based on this model, USG would potentially see an increase of approximately \$3.5 million in annual spending on claims. This estimate is reached by multiplying USG's calendar year 2023 drug ingredient cost (before the application of rebates or member share) by 1.6%, as shown in **Table 3**. Additionally, when using the \$1.51 administrative fee per claim cited by SHBP's PBM, the additional administrative fee would cost approximately \$1.4 million for 904,000 claims (**Table 3**).

Table 3. Additional Costs for USG

Repricing Estimate	<u>2023 Claims</u> \$221,738,270	<u>Repriced 2023 Claims</u> \$225,286,082	<u>Repricing Increase</u> \$3,547,812
Administrative Fee	<u>2023 Claims</u> 903,940	<u>Additional Admin Fee</u> \$1.51 per claim	<u>Admin Fee Increase</u> \$1,364,949
Total			\$4,912,761

There are additional factors that may increase the cost of implementing this bill for both DCH and USG but are unknown at this time. These are described below.

² Due to timing constraints, the contractor did not build an extensive model based on USG data; rather, it constructed USG's estimate by extrapolating from the SHBP estimates.

- The estimate is based on plan year 2023 data, and the cost of the bill would change as pharmaceutical spending changes.
- The CY 2023 cost used for the repricing assessment does not include manufacturer payments/rebates or member cost-share/coinsurance differentials.
- This estimate does not include any additional fees or potential software changes that may be needed by USG when implementing the adjudication logic in the bill (i.e., use NADAC; if unavailable, use Georgia estimated acquisition cost, etc.).
- The administration fee charged for USG may differ from the fee provided for SHBP.

Fiscal Impact on OCI

OCI stated that the only direct costs of the bill relate to the agency's administration of Georgia Access. To ensure compliance with the bill's requirements for pharmacy benefits managers and insurers, OCI stated it would require approximately \$100,000 in salary and benefits for additional staff in the insurance regulation unit. The staff member would serve as OCI's point-of-contact for contractors, verifying information from contractors and in-house software to ensure compliance. OCI does not anticipate additional reporting requirements on these entities.

OCI also stated that the potential increase in premiums could have indirect effects on current Georgia Access and Reinsurance program funding. The Reinsurance program is primarily supported by a federal passthrough grant, and a factor in the grant award amount is the state's efforts to control premium costs of participating plans. OCI also noted that Georgia Access is supported by user fee revenue based on premiums. If premiums increase and the number of the users is not significantly impacted, user fee revenue would increase. If the number of users declines significantly, user fee revenue would decline.

Respectfully,



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State Auditor



Richard Dunn, Director
Office of Planning and Budget

GSG/RD/jm