



**DOAA**  
Georgia Department  
of Audits & Accounts

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February 21, 2025

Honorable Lee Hawkins  
Chairman, House Health Committee  
401-C State Capitol  
Atlanta, Georgia 30334

**SUBJECT:** Fiscal Note  
House Bill 196 (LC 57 0229S)

Dear Chairman Hawkins:

The bill would require that drugs dispensed under state health plans be reimbursed using an index-based price, plus a dispensing fee. 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)<sup>1</sup> on the day of claim administration, plus 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 to a beneficiary through a cost share, deductible, or any other out-of-pocket payment by the beneficiary. The bill has an effective date of January 1, 2026.

Based on information from the Department of Community Health (DCH) and the University System of Georgia (USG), the bill is estimated to cost approximately \$1.2 million. The estimates are largely based on 2023 pharmaceutical claims and would vary. The bill could lead to cost savings if several reported costs are reduced, as explained in greater detail on page 2. It should be noted that additional plan costs are paid by a combination of employers and employees. Projected costs and assumptions for the two agency estimates are below.

**Table 1. Estimated Costs for DCH and USG**

DCH	USG	Total
Cost of \$5.0 million	Savings of \$3.8 million	Cost of \$1.2 million

<sup>1</sup> 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.

**Additional Plan Costs**

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

*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 plus a professional dispensing fee of \$10.63 for chain and mail order claims and \$11.50 for independent pharmacy claims. The resulting estimate is a 0.73% cost decrease from the 2023 claims totals. As shown in **Table 2**, this decrease is estimated at \$10.9 million.

SHBP’s PBM also noted that it charges additional fees based on administrative and system impact. These include support fees related to meeting regulatory requirements, fees to support the costs associated with the custom adjudication model, level of effort fees related to specialty drug dispensing, and cold pack shipping and handling fees. As shown in **Table 2**, SHBP’s PBM stated that these fees would result in additional costs totaling approximately \$15 million<sup>2</sup>. 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**

	<b>Amount Under Bill</b>
<b>Claim Repricing Estimate<sup>1</sup></b>	(\$10,948,347)
<b>PBM Costs</b>	
Regulatory support fee <sup>2*</sup>	\$2,032,095
Custom adjudication and maintenance	\$3,553,029
Level of effort fees for specialty claims <sup>3*</sup>	\$8,290,720
Cold pack shipping and handling*	\$1,246,344
<b>IT Enhancements (One time)</b>	<u>\$825,000</u>
<b>Total</b>	<b>\$4,998,841</b>
1. Amount based on 2023 claims of \$1,491,385,003 that would have been \$1,480,436,656 under the bill. 2. Amount based on 6.77 million claims and \$0.30 per claim. 3. Amount based on 244,699 employees and \$1.21 per employee per month. *DCH indicated that the regulatory support fee, level of effort fee, and cold pack shipping and handling may not be entirely related to the bill’s language (see footnote 2).	

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

*University System of Georgia*

USG’s healthcare contractor estimated a reduction in pharmacy claim costs of approximately \$6.0 million.<sup>3</sup> Like the analysis for SHBP, the contractor noted that the bill would result in additional PBM fees. The number of impacted members for USG is approximately 15% of the SHBP

<sup>2</sup> DCH requested a cost estimate from its PBM for the bill, but several components of the estimate may not be solely associated with the bill’s language. A portion of the regulatory support fee, level of effort fee, and cold pack shipping and handling charges are expected to be included in the SHBP quote for 2026, even in the absence of the bill. However, a level of effort fee may also be attributed to a NADAC pricing model not covering all PBM costs associated with specialty drugs.

<sup>3</sup> The dispensing fees used in the repricing estimate correspond with the contractor’s interpretation of Title XIX of the Social Security Act referenced in the bill. This is the Medicaid dispensing fees to pharmacies.

population. Assuming that new USG PBM fees are 15% of those charged to SHBP, the additional fees would be approximately \$2.1 million.

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

- 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.).
- DCH officials indicated that the NADAC repricing used in the fiscal note is based on a survey that may have limited responses. If the state moves to the NADAC model, it may increase the survey responses and have an unknown impact on the model pricing.

Respectfully,



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Richard Dunn, Director  
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GSG/RD/jm