

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	CSSB 38(L&C)
Fiscal Note Number:	2
(S) Publish Date:	4/4/2018

Identifier: SB038-DOA-DRB-03-15-18  
 Title: PHARMACY BENEFITS MANAGERS  
 Sponsor: GIESSEL BY REQUEST  
 Requester: (S) L&C

Department: Department of Administration  
 Appropriation: Centralized Administrative Services  
 Allocation: Office of the Commissioner  
 OMB Component Number: 45

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2019 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OPERATING EXPENDITURES</b>	<b>FY 2019</b>	<b>FY 2019</b>						
Personal Services								
Travel								
Services	2,800.0		3,100.0	3,400.0	3,800.0	4,100.0	4,500.0	
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>2,800.0</b>	<b>0.0</b>	<b>3,100.0</b>	<b>3,400.0</b>	<b>3,800.0</b>	<b>4,100.0</b>	<b>4,500.0</b>	

**Fund Source (Operating Only)**

1017 Group Ben (Other)	2,800.0		3,100.0	3,400.0	3,800.0	4,100.0	4,500.0
<b>Total</b>	<b>2,800.0</b>	<b>0.0</b>	<b>3,100.0</b>	<b>3,400.0</b>	<b>3,800.0</b>	<b>4,100.0</b>	<b>4,500.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2019) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version/comments:**

Previous note was indeterminate. The revision is based on actuarial analysis received.

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Division:	Retirement and Benefits	Date:	03/15/2018 05:00 PM
Approved By:	Leslie Ridle	Date:	03/15/18
Agency:	Department of Administration		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

Analysis

This proposed legislation may affect the ability of AlaskaCare to benefit from cost savings resulting from generic competition for brand name medications that have lost their patent, by mandating that the pharmacy benefits manager (PBM) must grant the appeal and allow for a higher reimbursement of a multi-source generic drug.

The actuarial analysis reviewed 2017 AlaskaCare plan appeals, cost and utilization data for multi-source generic drugs dispensed in Alaska. Utilization of multi-source generics is different for active and retirees, with variation as to where the prescriptions are dispensed (chain vs. independent pharmacy).

In calendar year 2017, the AlaskaCare plans paid 1.2 million generic drug claims in the amount of \$62.1 million. Of those 2017 generic claims, over one-half million claims were paid in Alaska and subject to MAC pricing for the approximate amount of \$19.3 million. This data is further broken down to show 159,652 claims in the amount of \$5,155,376 were filled at independent pharmacies in Alaska compared to 355,697 claims in the amount of \$14,167,151 filled through a chain pharmacy in Alaska.

During the data period, there were 83 appeals for actives and 721 for retirees for multisource generics. Of these, one active appeal and 12 appeals associated with retiree claims resulted in a price increase. This proposed legislation may significantly increase the volume of appeals for both plans. The anticipated impact is not limited to successful appeals, but that MAC pricing levels may be adjusted to minimize appeals which would impact both independent and chain pharmacy claim spend.

The data indicates that the difference between MAC priced generic drugs and non-MAC priced generic drugs is greater for independent pharmacies than it is for chain pharmacies. This would suggest that a greater number of scripts for MAC listed drugs filled at independent pharmacies would be impacted by the proposed legislation.

The analysis assumes that plan costs for generic drugs filled by independent pharmacies in Alaska would increase by 20%. The assumed impact on chain pharmacy pricing would be 10%.

The table below reflect these anticipated costs (in millions) to AlaskaCare associated with this proposed legislation:

	FY19	FY20	FY21	FY22	FY23	FY24
Active Plan	\$0.3	\$0.4	\$0.4	\$0.5	\$0.5	\$0.5
Retiree Plan	\$2.5	\$2.7	\$3.0	\$3.3	\$3.6	\$4.0
Total	\$2.8	\$3.1	\$3.4	\$3.8	\$4.1	\$4.5