

Fiscal Note

State of Alaska
2024 Legislative Session

Bill Version:	CSHB 226(HSS)
Fiscal Note Number:	1
(H) Publish Date:	3/4/2024

Identifier: HB226-DOA-DRB-2-23-24
 Title: PHARMACIES/PHARMACISTS/BENEFITS MANAGERS
 Sponsor: SUMNER
 Requester: (H) HSS

Department: Department of Administration
 Appropriation: Centralized Administrative Services
 Allocation: Health Plans Administration
 OMB Component Number: 2152

Expenditures/Revenues

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

	FY2025 Appropriation Requested	Included in Governor's FY2025 Request	Out-Year Cost Estimates					
			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous	2,410.0		2,530.5	2,657.0	2,789.9	2,929.4	3,075.8	
Total Operating	2,410.0	0.0	2,530.5	2,657.0	2,789.9	2,929.4	3,075.8	

Fund Source (Operating Only)

1017 Group Ben (Other)	2,410.0		2,530.5	2,657.0	2,789.9	2,929.4	3,075.8
Total	2,410.0	0.0	2,530.5	2,657.0	2,789.9	2,929.4	3,075.8

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2024) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2025) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - 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? Yes
 If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/24

Why this fiscal note differs from previous version/comments:

Not applicable; initial version.

Prepared By:	Steve Ramos	Phone:	(907)465-2307
Division:	Retirement and Benefits	Date:	02/23/2024
Approved By:	Leslie Isaacs, Administrative Services Director	Date:	02/24/24
Agency:	Department of Administration		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2024 LEGISLATIVE SESSION

Analysis

This bill sets restrictions and establishes requirements related to business and payment practices for Pharmacy Benefit Managers (PBMs) and health care insurers providing coverage for pharmacy benefits in the state and applies the provisions of the bill to the AlaskaCare employee health plan administered by the Division of Retirement & Benefits (Division).

This fiscal note discusses the anticipated pharmacy and medical claims cost impact to the AlaskaCare employee health plan. The Division anticipates that the bill would increase the plan's prescription drug and medical claims spend by a minimum of \$2.4 million annually and would limit the plan's ability to employ many standard prescription drug cost control strategies which will result in additional cost impacts. The cost increase estimates associated with drug costs for FY25-FY30 are increased by 5% annually to account for rising drug prices and increased utilization. The cost increase estimates associated with pharmacy dispensing fees are not increased in out years, though it is likely that both utilization and the dispensing fee set by Medicaid will increase in the future, resulting in a greater cost impact in this area. Initial cost impact estimates for some of the bill's provisions produced a range of potential cost impacts (discussed in detail below). The impacts (miscellaneous expenditures) reflected above are based on the low end of the range of projected impacts. Because the AlaskaCare employee health plan is self-insured (meaning the State of Alaska as the plan sponsor is responsible for paying members' claims while third party administrator and PBMs are hired by the state to assist in administrative activities, such as processing claims), any increase in prescription drug or medical claims costs will be borne by the State and by AlaskaCare employee plan members. The AlaskaCare employee plan is primarily funded through the State's employer contribution and employee-paid premiums. Annual cost increases of this magnitude would be considered during the annual rate setting process and would likely necessitate an increase in both the State's employer contribution and employee premiums. Quantifiable increases to claims costs are anticipated in the following areas:

Drug Reimbursement & Dispensing Rates: The bill would require that the baseline drug reimbursement rate paid to pharmacies must be equal to the National Average Drug Acquisition Cost (NADAC), and that dispensing fees paid to pharmacies filling prescriptions must at least match those established by the Alaska Medicaid program. The Medicaid programs dispensing fees are currently set at \$13.26 for out-of-state pharmacies, \$15.86 for in-state pharmacies connected to Anchorage by road, and \$23.78 for in-state pharmacies not connected to Anchorage by road. The Division estimates that the combined impact of these provisions would be an increase in the AlaskaCare employee plan's prescription drug costs of approximately \$1.54 million annually.

Patient Choice of Pharmacy: This bill would prohibit the plan from steering members to or incentivizing use of specific pharmacies, including network pharmacies and specific mail-order or specialty pharmacies. While some cost increases are expected with the removal of these incentives as utilization shifts to less efficient pharmacy channels, elimination of the plan's ability to establish exclusive specialty pharmacy contracts is likely to have a larger impact. Based on savings from the plan's current exclusive specialty pharmacy arrangement, combined with associated programs that leverage manufacturer coupons for specialty drugs, and considering specialty cost trends from prior years, the Division anticipates that the elimination of exclusive specialty pharmacy contracts will increase plan costs by approximately \$290,000 per year.

Clinician-Administered Drugs: The bill's provisions related to patient access to clinician-administered drugs conflict with existing programs intended to promote efficiency and avoid delays in care delivery for certain drugs delivered via intravenous infusion by moving members out of the highest-cost delivery channel (hospital outpatient) to a lower-cost site of service (e.g., outpatient infusion center or at-home infusions). On average, the program realizes savings of \$95,000 per infusion per member per year. In the AlaskaCare plan, since 2021, this program has saved \$582,000 for six patients.

Based on these results, the clinician-administered drug provisions are expected to increase plan costs by at least \$580,000 per year. Actual cost impacts may be greater, as the program savings (both estimates and actual results) do not include members who are automatically directed to a lower cost site of care due to the provider's prior experience with this program that has been in place since 2012.