



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 938** HLS 26RS 1084
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 8, 2026	8:19 AM	Author: TURNER
Dept./Agy.: Insurance		
Subject: Pharmacy benefit managers		Analyst: Cristian Nedelea

INSURANCE/HEALTH EG +\$15,507,745 SG EX See Note Page 1 of 2
 Provides relative to pharmacy benefit managers

Proposed law expands the definition of pharmacy benefit manager (PBM) and clarifies activities constituting PBM services. Proposed law requires PBMs to reimburse any pharmacy in the state an amount equal to the NADAC (or wholesale acquisition cost if NADAC is not available) plus the Louisiana Medicaid dispensing fee and prohibits reimbursement below the amount specified by this legislation. Proposed law requires PBMs to adopt a reimbursement formula using an adjustment factor resulting in a claim payment error rate of no more than two percent per drug and to provide a formal process for pharmacies to contest reimbursement that is less than their acquisition cost. Proposed law limits PBM income to flat-fee service payments and performance bonuses, prohibits retention of manufacturer rebates or other price-based revenues, and requires all prohibited income to be passed through to client health benefit plans. Requires annual certification of compliance and authorizes penalties for violations. Proposed law requires PBM contracts with client health benefit plans to include disclosure of claims-level pricing data, pharmacy reimbursement amounts, and prohibited revenues. Requires PBMs serving plans with significant Louisiana enrollment to provide the commissioner access to claims-level pricing, income, and reimbursement data. Proposed law requires the Division of Administration (DOA) to procure PBM services through a reverse auction, procure a qualifying technology platform, to prevent any conflicts of interest during the selection process, and ensure bidder compliance with PBM regulations. It further authorizes participation by both full service PBMs and carveout service providers and permits multiple or hybrid contract awards. Proposed law repeals Act No. 474 of the 2025 Regular Session and provides for

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$15,507,745	\$19,917,881	\$20,008,362	\$20,102,462	\$20,200,325	\$95,736,775
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase SGR expenditures by a combined \$15.5 M in FY 27 within the Office of Group Benefits (OGB) and the LA Department of Insurance (LDI). The OGB estimates an increase in annualized SGR claims expenditures of \$17.7 M in FY 27 and future fiscal years. OGB's pharmacy benefit managers (PBMs) are required to reimburse any pharmacy in the state an amount equal to NADAC plus the state's professional dispensing fee for a drug prescription. LDI projects an increase in SGR expenditures of \$2.3 M in FY 27 and increasing in future fiscal years. The department will need to create a new PBM enforcement section with six (6) additional T.O. positions and associated operating expenses, professional services contracts, and equipment costs. **Note: Increased SGR expenditures within LDI results in less monies reverted to SGF at the end of the fiscal year.**

OGB (\$17.7 M SGR):

OGB's contracted actuary, Gallagher Benefit Services (Gallagher), estimates that OGB's self-funded pharmacy claims expenditures will increase by \$17.7 M per fiscal year as a result of the pharmacy reimbursement methodology required by the proposed legislation. This estimate does not include the impact of the legislation's requirement to procure pharmacy benefit manager (PBM) services through a reverse auction. OGB is unable to project the potential impact of this requirement on pharmacy claims, rebates, and administrative fees. **The projected expenditures do not include the impact of the legislation's prohibition against OGB or the Division of Administration from using consultants or advisors who have previously been paid for assisting OGB with the procurement of PBM services any time between 2016 and 2026. The prohibition would require OGB to engage an additional actuarial and consulting services vendor to assist OGB with future PBM services procurement. OGB is still working to determine what additional costs will be incurred as a result of having to engage a second actuarial and consulting services vendor.**

The expenditure estimates are based on the following assumptions: (1) No change in OGB self-funded health plan membership in future fiscal years. (2) No change in pharmacy claims volume from the Plan Year 2025. (3) No change in NADAC drug prices. (4) No change in the LA Medicaid dispensing fee. (5) Legislation is effective 10/01/2026. (6) The legislation does not apply to OGB's self-funded health plan Employer Group Waiver Plan pharmacy claims.

FY 26-27*	FY 27-28	FY 28-29	FY 29-30	FY 30-31	Total
\$13,241,901	\$17,655,867	\$17,655,867	\$17,655,867	\$17,655,867	\$83,865,370

*FY 27 expenditures are pro-rated to reflect the 10/01/2026 effective date (9 months).

The expenditure estimates reflect the requirement that PBMs reimburse any pharmacy in the state at an amount equal to NADAC for the dispensed prescription drug plus a dispensing fee equivalent to the LA Medicaid program's dispensing fee. OGB engaged Gallagher to analyze the impact of the proposed legislation. Specifically, Gallagher repriced OGB's Commercial Plan pharmacy claims from Plan Year 2025 using both the current pricing methodology and the reimbursement methodology required under the proposed legislation. Below is a summary of Gallagher's findings:

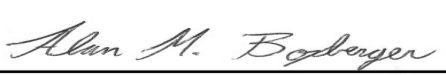
EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

If claims expenditures cannot be absorbed by OGB's actuarially recommended target fund balance amount of \$309 M, OGB may be required to decrease or eliminate benefits currently available to participants of OGB's health benefit and life insurance programs, or seek additional revenue, either in the form of a direct appropriation from SGF, or by an increase in OGB's SGR through a premium rate increase for OGB's self-funded health plans.

Proposed law is anticipated to have an indeterminable impact on Statutory Dedication revenue within LDI. The agency indicates that any fines or penalties collected pursuant to the proposed law are indeterminable. The LFO assumes fines will be deposited into the Pharmacy Benefits Manager Enforcement Fund in accordance with La R.S. 22:1870.1, and used first to provide for the expenses of the commissioner of insurance and the attorney general.

Senate	Dual Referral Rules	House
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


Alan M. Boxberger
 Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Claims Filed with Louisiana Independent Pharmacies

Claims volume in Plan Year 2025: 1,025,031. OGB's Commercial Plan PBM vendor, Liviniti, currently reimburses Louisiana independent pharmacies at NADAC plus an \$11 dispensing fee. The Louisiana Medicaid prescription drug dispensing fee is \$11.81, resulting in a \$0.81 increase per claim. Total impact: \$830,275 = 1,025,031 Claims x \$0.81 Dispensing Fee Increase

Claims Filed with All Other Louisiana Pharmacies

In Plan Year 2025, more than 1.5 million OGB Commercial Plan claims were filed by Louisiana pharmacies that are not classified as independent pharmacies. Under the current contract, Liviniti reimburses these pharmacies using an Average Wholesale Price (AWP) discount methodology plus a nominal dispensing fee. Gallagher repriced these claims using both the existing contract pricing terms and the proposed NADAC based reimbursement methodology:

Reimbursement using NADAC:	\$226,049,232 -
Reimbursement using current AWP pricing*:	\$227,636,327
Net ingredient cost savings:	(\$1,587,095)

*The AWP discount rate and dispensing fee terms in OGB's PBM contract are proprietary and cannot be disclosed by OGB without vendor authorization. Additionally, the exact count of claims filed by Louisiana pharmacies that are not classified as independent is not provided.

The LA Medicaid program prescription drug dispensing fee of \$11.81 is significantly higher than the dispensing fee currently paid under OGB's PBM contract. Applying the Medicaid dispensing fee to these claims results in increased dispensing fee costs of \$18,412,687.

Annual Net Impact on OGB Pharmacy Claims:

\$830,275	Increased dispensing fees (independent pharmacies)
(\$1,587,095)	Decreased ingredient costs (all other pharmacies)
<u>+ \$18,412,687</u>	Increased dispensing fees (all other pharmacies)
\$17,655,867	

LDI (\$2.3 M SGR):

Proposed law is anticipated to increase SGR expenditures within LDI by \$2.3 M in FY 27 with costs increasing in future fiscal years. This increase is associated with the creation of a pharmacy benefit manager (PBM) enforcement section within the LDI's Office of Health, Life, and Annuity in order to increase the regulatory oversight of PBMs within the agency. LDI will need to add six (6) T.O. positions, including one (1) Pharmacist Chief Compliance Officer T.O. position, one (1) Pharmacist Compliance Officer T.O. position, one (1) Insurance Supervisor T.O. position, two (2) Insurance Specialist 4 T.O. positions, and one (1) Attorney 4 T.O. position, along with associated operating and professional services expenses and one-time equipment cost.

NOTE: The LFO is unable to corroborate the estimated staffing level, operating expenses, and equipment costs projected by LDI. While the LFO acknowledges that proposed law will result in increased workload for LDI and create an audit and enforcement duty regarding PBMs, to the extent the required staffing levels may be lower or higher, corresponding operating costs would shift accordingly. To the extent that a portion of the prescribed duties can be absorbed by existing staff and budgetary resources, a portion of the projected costs may be mitigated. Should additional information regarding estimated expenditures become available, this fiscal note will be updated.

Personnel Services (\$926,312 SGR):

LDI reports that salaries and related benefits associated with the addition of six (6) T.O. positions for the creation of a PBM enforcement section will total \$926,312, including \$629,221 in salaries and \$297,091 in related benefits, for FY 27. A 4% growth factor is applied to these personnel costs in subsequent fiscal years.

Operating Expenses (\$36,702 SGR):

LDI anticipates operating expenses of \$36,702 in FY 27, including \$3,864 in office supplies and \$32,838 in operating services (postage: \$822; telephone/data ports: \$2,124; printing: \$600; equipment maintenance: \$3,084; security: \$6,570; risk management: \$8,280; civil service: \$2,382; UPS: \$336; and software licenses: \$8,640). These operating expenses are also projected to increase by 4% annually beginning in FY 28.

Professional Services (\$1,287,360 SGR):

LDI anticipates professional service expenses of \$1.3 M in FY 27, including one-time computer programming cost of \$75,360 (628 hours x \$120 per hour) for the development of a submission portal to support intake, review, communication search, notifications, and internal documentation functions, plus \$12,000 per year ongoing maintenance costs (100 hours annually at \$120 per hour). Additionally, an Accounting and Auditing Examinations contract of \$1.2 M per year is needed for transparency audits into the pharmacy supply chain and to provide specialized expertise to review complex PBM financial and pricing arrangements beyond LDI's internal capacity. A 4% growth factor is applied to these costs in subsequent fiscal years.

Equipment Costs (\$15,470 SGR):

LDI further estimates the purchase of one-time equipment costs of \$15,470 in FY 27, including desks (\$3,100), chairs (\$1,900), personal computers/printers (\$9,000), and file cabinets (\$1,470). These costs are not anticipated to recur in subsequent fiscal years.

EXPENDITURES

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personnel Services					
Six (6) T.O. Positions	\$926,312	\$963,364	\$1,001,899	\$1,041,975	\$1,083,654
Operating Expenses	\$36,702	\$38,170	\$39,697	\$41,285	\$42,936
Professional Services	\$1,287,360	\$1,260,480	\$1,310,899	\$1,363,335	\$1,417,868
Equipment	\$15,470	\$0	\$0	\$0	\$0
Total Expenditures	\$2,265,844	\$2,262,014	\$2,352,495	\$2,446,595	\$2,544,458
T.O.	6	6	6	6	6

NOTE: To the degree that violations are issued and fines levied against any entity under the provisions of proposed law, deposits into the Statutorily Dedicated Pharmacy Benefits Manager Enforcement Fund may allow the department to offset cost exposure against agency SGR. The LFO assumes revenues derived from fines would not be sufficient to completely offset costs estimated by LDI.

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 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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