

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 432** HLS 19RS 847

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 17, 2019	4:12 PM	Author: JORDAN
Dept./Agy.: LA Dept. of Insurance		Analyst: Zachary Rau
Subject: Regulation of Pharmacy Services Administrative Organizations		

INSURANCE/HEALTH

OR +\$88,000 SG EX See Note

Page 1 of 1

Provides for the regulation of pharmacy services administrative organizations

Proposed law creates a regulatory framework for regulating pharmacy services administrative organizations (PSAOs), including registering and licensing PSAOs with the LA Dept. of Insurance (LDI). Proposed law sets forth requirements for PSAOs doing business with independent pharmacies in LA. Proposed law outlines disclosures PSAOs must make to the LDI and independent pharmacies. Proposed law requires contracts between PSAOs and pharmacy benefit managers (PBM) to contain certain language permitting PBMs to obtain certain information from PSAOs when auditing an independent pharmacy. Proposed law requires claims by PBMs or third-party payers on behalf of a pharmacy to a PSAO be passed through to the pharmacy within a reasonable amount of time. Proposed law requires PSAOs to provide an annual report to the LDI containing certain information. Proposed law prohibits PSAOs holding ownership interests in firms producing various pharmaceutical and medical products to require pharmacies to purchase their products. Proposed law requires PSAOs holding ownership interests in firms producing various pharmaceutical and medical products to disclose to the LDI any agreements with independent pharmacies to purchase their products. Proposed law sets requirements for timely communication in a PSAO-pharmacy contract. Proposed law subjects violations of proposed law to the Unfair Trade Practices Act.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$88,000	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$88,000
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$88,000					\$88,000

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW					
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will result in an estimated one-time SGR expenditure of \$88,000 for the LA Dept. of Insurance. Proposed law requires LDI to register and license pharmacy services administrative organizations (PSAOs), which represents a new service for the department. LDI anticipates it will require information technology upgrades to its current industry access portal and regulated management system (RMS), including new RMS screens, workflow software, application types, and modules, as well as modification of existing database tables to accommodate registering and licensing PSAOs. LDI anticipates the aforementioned work will result in a one-time SGR expense of \$88,000 (800 hours * \$110/hour of work) in FY 20, and that any additional maintenance associated with the system upgrades will be nominal and absorbed utilizing an existing IT contract. For reference, LDI anticipates licensing 30-50 PSAOs.

Furthermore, LDI reports that it will utilize existing insurance examiner staff to review and evaluate PSAOs applying for licensure in LA.

REVENUE EXPLANATION

Proposed law may result in an indeterminable increase in SGR collections for the LA Dept. of Insurance, as it subjects pharmacy services administrative organizations (PSAOs) to the provisions of the Unfair Trade Practices Act. LA R.S. 22:1969 provides for financial penalties of up to \$1,000 per violation of the act not to exceed a maximum of \$100,000. However, if an entity knowingly commits violations of the act, each violation will carry an associated \$25,000 penalty with an aggregate maximum penalty of \$250,000 in any six-month period. Any revenue from this source is speculative, as it is unknown if any entities will violate provisions of the Unfair Trade Practices Act pursuant to proposed law that would result in financial penalties.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 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}

Evan Brasseaux

Evan Brasseaux
Staff Director