

FISCAL IMPACT STATEMENT

806 KAR 9:360

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(1) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 304.2-110(1), 304.9-053(2), 304.9-054(6), and KRS 304.9-055.

(2) Identify the promulgating agency and any other affected state units, parts, or divisions:
The Kentucky Department of Insurance as the implementer.

(a) Estimate the following for the first year:

Expenditures: -\$660,000

Revenues: \$570,000

Cost Savings: None

(b) How will expenditures, revenues, or cost savings differ in subsequent years? No difference.

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts): No local entities affected.

(a) Estimate the following for the first year:

Expenditures:

Revenues:

Cost Savings:

(b) How will expenditures, revenues, or cost savings differ in subsequent years? No difference.

(4) Identify additional regulated entities not listed in question (2) or (3): Pharmacy Benefit Managers (PBMs) that apply for a PBM license or renew a PBM license.

- (a) Estimate the following for the first year:
Expenditures: \$10,000 per PBM
Revenues: None
Cost Savings: None
- (b) How will expenditures, revenues, or cost savings differ in subsequent years? No difference. Expenditures will be \$10,000 per year.
- (5) Provide a narrative to explain the:
- (a) Fiscal Impact of this administrative regulation: This administrative regulation will increase fees paid by PBMs to obtain and renew a PBM license. An additional \$10,000 registration fee is required of PBMs, in addition to the current license fee of \$1,000. There are currently 57 licensed PBMs in Kentucky. This will result in an overall revenue increase for the Department of \$570,000.
- (b) Methodology and resources used to determine the fiscal impact.
- (6) Explain:
- (a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2)-(4). (\$500,000 or more, in aggregate). Yes, this administrative regulation will have a major economic impact.
- (b) The Methodology and resources used to reach this conclusion.

Yes, this administrative regulation will have major impact in the aggregate for both the Department and PBMs. SB 188 was enacted during the 2024 legislative session. SB 188 significantly increased the Department's regulatory oversight of PBMs, including requiring the Department to conduct a study, at least every two years, to determine the average dispensing fee for pharmacies in Kentucky. To properly conduct the study, the Department will need to contract with a firm that has experience conducting similar studies. The estimated cost for performing this work, along with hiring additional staff, is \$660,000. This estimate is based on similar contract work performed for the Department by contract actuaries and the cost of adding the necessary additional staff. PBMs currently pay a \$1,000 application fee to obtain or renew a PBM license. The regulation proposes to impose an additional \$10,000 registration fee for each PBM that requests a PBM license or renews a PBM license. There are currently 57 licensed PBMs in Kentucky. Therefore, the overall cost imposed on the PBMs will be \$570,000.