
REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

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(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes an annual registration fee for pharmacy benefit managers, pursuant to 2024 Regular Session Senate Bill 188.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to provide the additional funds to support the new requirements of 2024 Regular Session Senate Bill 188.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.9-054(7) says that we can impose a fee, in addition to license fee, to cover the costs of implementation of KRS 304.9-054. 2024 Regular Session Senate Bill 188 requires the regulation to provide for additional programs and administrative review that will result in increased expense to the Department, which may be offset by the licensees. This amendment provides the amount required by the new registration fee.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This amendment provides the amount required by the new registration fee.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This amendment establishes an annual registration fee.

(b) The necessity of the amendment to this administrative regulation: This amendment is required to offset the expenses resulting from the implementation of 2024 Regular Session Senate Bill 188.

(c) How the amendment conforms to the content of the authorizing statutes: 2024 Regular Session Senate Bill 188 requires the regulation to provide for additional programs and administrative review that will result in increased expense to the Department, which may be offset by the licensees.

(d) How the amendment will assist in the effective administration of the statutes: This amendment provides the amount required by the new registration fee.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Over 50 pharmacy benefit management entities will be impacted by this administrative regulation.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The pharmacy benefit management entities will have to pay the annual registration fee upon issuance of a license and annually thereafter.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): This amendment will cost the pharmacy benefit management entities ten thousand dollars (\$10,000), annually.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Pharmacy benefit management entities will be able to pay a uniform fee to share in the cost of the increased burden placed on the industry to protect consumers from unregulated practices.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: Approximately six hundred sixty thousand dollars (\$660,000).

(b) On a continuing basis: Approximately six hundred sixty thousand dollars (\$660,000).

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The Department of Insurance's operational budget and the new annual registration fee.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: The purpose of this amendment is to increase fees.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: Yes, this regulation establishes a ten thousand dollar (\$10,000) annual fee.

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applied as the provisions of this administrative regulation apply to all entities equally.