

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2840**80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office*Only Impacts on Original or Engrossed
Versions are Considered Official*Prepared by: Michael Graham
Reviewed by: Tom MacDonald
Date: 4/9/2019**Measure Description:**

Establishes prohibitions for registered pharmacy benefit managers.

Government Unit(s) Affected:

Oregon Health Authority (OHA)

Oregon Health Authority

Fund Type	2019-21 Biennium	2021-23 Biennium
Other Funds	10,896,021	14,528,027
Total Funds	\$10,896,021	\$14,528,027

Analysis:

The measure would prohibit registered pharmacy benefit managers (PBMs) from engaging in certain conduct in their interactions with customers and pharmacies, including assessing adjudication fees and the loss of dispensing fees when the patient cost share is more than the reimbursement. The measure would take effect on January 1, 2020.

Oregon Health Authority (OHA):

Moda Health, the largest insurer of the Oregon Educators Benefit Board (OEBB), estimates that the measure would increase premium rates by 0.27 percent (0.27%) for the OEBB medical and prescription drug coverage plans. The estimate is based on the removal of a PBM’s ability to assess adjudication fees and the loss of dispensing fees when the patient cost share is more than the reimbursement. Assuming the premium increase would apply to all OEBB plans, it would increase premiums by an estimated \$2,967,854 in the 2019-21 biennium and by \$3,957,138 the 2021-23 biennium.

Providence Health, the largest insurer of the Public Employees Benefit Board (PEBB), estimates that the measure would increase premium rates by 0.6 percent (0.6%) for the PEBB medical and prescription drug coverage plans. Providence estimates that there would be a 3.0 percent (3.0%) increase in drug costs if mail-order prescriptions were prohibited. This would increase the per member cost by \$2 to \$4 per month. Assuming the premium increase would apply to all PEBB plans, it would increase premiums by an estimated \$7,928,167 in the 2019-21 biennium and by \$10,570,889 the 2021-23 biennium.

In total, the measure would increase OEBB and PEBB premiums by \$10.9 million in the 2019-21 biennium and by \$14.5 million in the 2021-23 biennium, respectively, according to the estimates provided by OHA. Although these costs are budgeted in OHA as Other Funds, the costs related to PEBB impact the premiums paid by state agencies and universities, whereas the costs for OEBB primarily impact the premiums paid by the K-12 school system.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its budgetary impact on OHA.