



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0740.05 (003): Revise laws relating to pharmacies, pharmacy benefit managers, and other entities**

Primary Sponsor: Marta Bertoglio Status: As Amended in Senate Committee

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | |
| Other | \$768,484 | \$810,164 | \$854,770 | \$902,542 |
| Revenues | | | | |
| Other | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 740 generally revises laws related to pharmacies, pharmacy benefit managers, and other entities. Specifically, sub-section (5)(a) requires that a plan sponsor, PBM, or third-party payer must reimburse an independent pharmacy for each drug dispensed not less than the National Average Drug Acquisition Cost (NADAC) plus a professional dispensing fee that is not less than the minimum specified in sub-section (5)(c) which is \$15 and is subject to an annual increase on January 1 of each year. In the event that a particular drug does not have a published NADAC price, sub-section (5)(b) outlines the alternative pricing that must be met using 100% of published wholesale acquisition cost plus the professional dispensing fee outlined in sub-section (5)(c). The proposed legislation will have a fiscal impact on the group insurance plan of the Montana University System (MUS).

The effect of HB 740, in combination with other legislation requiring certain benefit coverage, may over time require increases to employee contributions and the state share as set by 2-18-703, MCA.

FISCAL ANALYSIS

Assumptions

Department of Administration

1. The fiscal note was calculated using the number of scripts filled from January 2025 to March 2025 (3 months) under the State's pharmacy plan, excluding chain pharmacies, specialty pharmacies, mail-order pharmacies, Medicare Part D, Medicaid, compound drugs, and reversals.
2. All independent pharmacies considered were in the State of Montana. Section 2, specifically sub-section (3) and (4) define the pharmacies impacted by the pricing requirements.

3. To calculate the fiscal impact, a NADAC cap (which included the required dispensing fee) for each drug was determined. Once the cap was determined, a review of each claim was conducted to determine if the current reimbursement was either above or below the designated NADAC cap. If the current reimbursement for a drug was above the NADAC cap, no fiscal adjustment was made. If the current reimbursement for a drug was below the NADAC cap, a fiscal adjustment was made to bring the reimbursement to the NADAC cap.
4. Using the methodology described in #2 and #3, each claim for the period was repriced as though the amended HB 740 were in effect. The quarterly average was then used to determine the average annual cost. The annual plan year expected fiscal impact for this pricing methodology change is \$458,065.
5. Additional fiscal savings could be expected if pharmacy contracts are re-written to address pricing for those drugs which are reimbursed over the NADAC cap. Pharmacy contracting would be handled by the Pharmacy Benefit Manager and would be outside the requirements of this bill.
6. The lifespan of the bill is October 2024 through June 2029.
7. Year over year inflationary factor is estimated at 3.0%.

Commissioner of Higher Education

8. Pharmacy Benefit Managers must reimburse independent pharmacies at 100% of the National Average Drug Acquisition Cost (NADAC) plus a professional dispensing fee.
9. In lieu of a published NADAC price, reimbursement will be determined by drug type:
 - a. Generic drugs must be reimbursed at 100% of the published wholesale acquisition cost plus a professional dispensing fee.
 - b. Brand-name drugs must be reimbursed at 100% of the wholesale acquisition cost plus a professional dispensing fee.
10. Based on utilization data of the first quarter of calendar year 2025 excluding compounding claims, the FY 2026 impact on the MUS group insurance plan would be \$310,419.
11. Subsequent fiscal year impacts are based upon a pharmacy trend rate of 9%.

Fiscal Analysis Table**Commissioner of Higher Education**

| | <u>FY 2026</u> <u>Difference</u> | <u>FY 2027</u> <u>Difference</u> | <u>FY 2028</u> <u>Difference</u> | <u>FY 2029</u> <u>Difference</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Benefits | \$310,419 | \$338,357 | \$368,809 | \$402,002 |
| TOTAL Expenditures | \$310,419 | \$338,357 | \$368,809 | \$402,002 |
| <u>Funding of Expenditures</u> | | | | |
| Other | \$310,419 | \$338,357 | \$368,809 | \$402,002 |
| TOTAL Funding of Expenditures | \$310,419 | \$338,357 | \$368,809 | \$402,002 |
| <u>Revenues</u> | | | | |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| Other | (\$310,419) | (\$338,357) | (\$368,809) | (\$402,002) |

Department of Administration

| | <u>FY 2026</u> <u>Difference</u> | <u>FY 2027</u> <u>Difference</u> | <u>FY 2028</u> <u>Difference</u> | <u>FY 2029</u> <u>Difference</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|

Fiscal Impact**Expenditures**

| | | | | |
|---------------------------|------------------|------------------|------------------|------------------|
| Benefits | \$458,065 | \$471,807 | \$485,961 | \$500,540 |
| TOTAL Expenditures | \$458,065 | \$471,807 | \$485,961 | \$500,540 |

Funding of Expenditures

| | | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| Other | \$458,065 | \$471,807 | \$485,961 | \$500,540 |
| TOTAL Funding of Expenditures | \$458,065 | \$471,807 | \$485,961 | \$500,540 |

Revenues**Net Impact to Fund Balance (Revenue minus Funding of Expenditures)**

| | | | | |
|-------|-------------|-------------|-------------|-------------|
| Other | (\$458,065) | (\$471,807) | (\$485,961) | (\$500,540) |
|-------|-------------|-------------|-------------|-------------|

STATEWIDE SUMMARY

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Fiscal Impact</u> | | | | |
| TOTAL Fiscal Impact | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Expenditures</u> | | | | |
| Benefits | \$768,484 | \$810,164 | \$854,770 | \$902,542 |
| TOTAL Expenditures | \$768,484 | \$810,164 | \$854,770 | \$902,542 |
| <u>Funding of Expenditures</u> | | | | |
| Other | \$768,484 | \$810,164 | \$854,770 | \$902,542 |
| TOTAL Funding of Expenditures | \$768,484 | \$810,164 | \$854,770 | \$902,542 |
| <u>Revenues</u> | | | | |
| TOTAL Revenues | \$0 | \$0 | \$0 | \$0 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| Other | (\$768,484) | (\$810,164) | (\$854,770) | (\$902,542) |

Sponsor's Initials

Date

Budget Director's Initials

4/17/2025

Date

NOT SIGNED BY SPONSOR