

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1857 – SB 1852

March 7, 2018

SUMMARY OF ORIGINAL BILL: Creates a new licensure process for pharmacy benefits managers (PBMs) to be renewed biennially. Requires any person or entity seeking licensure as a PBM to pay a fee in the amount of \$100 to the Department of Commerce and Insurance (DCI) to obtain the initial license and \$50 to renew the license. Requires that all fees be used by the DCI to administer the new licensure program. Creates fines for failure to obtain licensure or renewal of not less than \$100 nor more than \$500.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$5,000/FY18-19
\$1,000/FY19-20
\$3,500/FY20-21
Exceeds \$1,500/FY21-22 and Subsequent Years

Increase State Expenditures – Less than \$5,000/FY18-19
Less than \$1,000/FY19-20
Less than \$3,500/FY20-21
Less than \$1,500/FY21-22 and Subsequent Years

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Expenditures - \$5,000/FY18-19
\$1,000/FY19-20
\$3,500/FY20-21
Exceeds \$1,500/FY21-22 and Subsequent Years

SUMMARY OF AMENDMENT (014428): Deletes and replaces language in the bill such that the only substantive change is that the amended bill will take effect January 1, 2019, rather than July 1, 2018, for purposes of processing applications, and January 1, 2019 for all other purposes.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Based on information provided by the DCI, there are approximately 50 PBMs operating in the state at this time. The proposed legislation would require all 50 PBMs to apply for initial licensure in FY18-19. The DCI will charge an initial licensure fee of \$100 and a \$50 renewal fee biennially.
- It is assumed currently operating PBMs will become licensed in FY18-19.
- The estimated increase in state revenue in FY18-19 is estimated to be \$5,000 (50 PBMs x \$100 licensure fee).
- It is estimated 10 new PBMs will need to apply for their initial license each year. The recurring increase in state revenue associated with the licenses is estimated to be \$1,000 (\$100 x 10 licenses) beginning in FY19-20.
- The increase in state revenue is estimated to be \$3,500 [(\$1,000 from initial licenses + \$2,500 for renewals (50 x \$50 biennially fee)] in FY20-21.
- The recurring increase in state revenue is estimated to exceed \$1,500 (\$1,000 + \$500) in FY21-22 and subsequent years.
- All fees collected are to be used by the DCI to administer the new licensing category. As a result, the increases in state expenditures for administration are estimated to be less than estimated revenue.
- Based on information provided by the Department of Finance and Administration Divisions of Benefits Administration (Benefits Administration), the state group insurance program uses a PBM. It is assumed they would seek the appropriate license and it is assumed there will be no fiscal impact on Benefits Administration.
- Based on information provided by the Division of TennCare, it is assumed the Division's PBM would seek the appropriate license and it is assumed there will be no fiscal impact on the Division.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- PBMs will see an increase in business expenditures each year to obtain the proper licenses.
- Requiring PBMs to be licensed will not have a significant impact on commerce or jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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