

March 11, 2014

The Honorable Scott Schwab, Chairperson
House Committee on Insurance
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Schwab:

SUBJECT: Fiscal Note for HB 2734 by House Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2734 is respectfully submitted to your committee.

Under HB 2734, "pharmacy benefits management," means the procurement of prescription drugs at a negotiated rate for dispensation within Kansas to insured individuals and the administration or management of prescription drug benefits provided by an organization for the benefit of insured individuals. In addition, management would include any of the following services related to the administration of pharmacy benefits:

1. Mail service pharmacy;
2. Claims processing, retail network management and payment of claims to pharmacies for prescription drugs dispensed to covered individuals;
3. Clinical formulary development and management services;
4. Rebate contracting and administration;
5. Certain patient compliance, therapeutic intervention and generic substitution programs;
and
6. Disease management programs.

HB 2734 would implement several requirements of a pharmacy benefits manager with regard to fiduciary duties and the disclosure of information. In addition, the bill would provide that all contracts for pharmacy benefits management entered into in Kansas must meet the requirements listed in the bill. A pharmacy benefits manager found in violation of HB 2734 may

The Honorable Scott Schwab, Chairperson

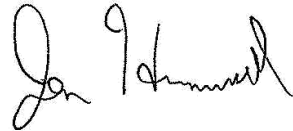
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be assessed a civil fine of no more than \$10,000. The Division of Health Care Finance of the Department of Health and Environment would be required to develop appropriate audit procedures to determine if the pharmacy benefits manager and contract entered into for the State Health Care Benefits Program is in compliance with the provisions in this bill and any other law applicable to pharmacy benefits managers.

The Kansas Department of Health and Environment indicates that any fiscal effect associated with the passage of HB 2734 could be absorbed within existing resources. The Board of Pharmacy indicates that the bill would have no fiscal effect on its operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Debra Billingsley, Pharmacy
Aaron Dunkel, KDHE
Pam Fink, DofA