

**Department of Planning and Budget**  
**2025 General Assembly Session**  
**State Fiscal Impact Statement**

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**ORIGINAL**

**Bill Number:** HB 2610 H2 **Patron:** Callsen  
**Bill Title:** State pharmacy benefits manager; DMAS to select & contract with a third-party administrator to serve

**Bill Summary:** The substitute bill requires the Department of Medical Assistance Services (DMAS), by December 31, 2027, to select and contract with a third-party administrator to serve as the state pharmacy benefits manager (PBM) to administer all pharmacy benefits for Medicaid recipients, including recipients enrolled in a managed care organization (MCO). The bill enumerates requirements for the department's contract with the state pharmacy benefits manager. The bill's contract requirement has a delayed effective date of January 1, 2027, provided that DMAS receives the necessary approval of federal financial participation from the Centers for Medicare and Medicaid Services.

In addition, the bill directs DMAS to engage an independent consultant, with direct experience (i) advising Medicaid fraud control units and (ii) working with states that have established a single Medicaid PBM, to evaluate the possible implementation of a contract with a third-party pharmacy benefits manager pursuant to the bill. The evaluation must include the (a) financial and operational impacts of such implementation, (b) possible benefits and savings of such implementation, and (c) development of a plan for the transition from the current system of providing pharmacy benefits in the case of such implementation. DMAS must report on the evaluation by December 15, 2025.

**Budget Amendment Necessary:** Yes **Items Impacted:** 292

**Fiscal Summary:** The interactions between the new state PBM and MCOs is expected to be complex, and sufficient information to make a specific cost estimate is not currently available. Based on information provided by DMAS, the bill's provisions are expected to increase costs to the Medicaid program; however, there are also some anticipated offsets. In addition, the timing of implementation is uncertain. The bill's provisions become effective on January 1, 2027, and DMAS has until December 31, 2027 to contract with a state PBM. In addition to this contract, the bill also requires DMAS to conduct an extensive evaluation of moving to a single PBM contract by December 15 of this year. Based on the vendor requirements, expected complexity, and timeframe associated with this evaluation, DMAS estimates a cost of \$1.0 million (\$0.5 million general fund) in FY 2026. Subsequent years reflect a preliminary estimate of DMAS administrative costs associated with overseeing the single PBM once implemented in FY 2028. The bill's impact on medical assistance costs is indeterminate.

**General Fund Expenditure Impact:**

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
DMAS (Administration)	-	\$500,000	-	\$2,209,795	\$3,497,075	\$3,497,075
DMAS (Medical)	-	-	-	Indeterminate	Indeterminate	Indeterminate

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**Nongeneral Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
DMAS (Administration)	-	\$500,000	-	\$20,515,608	\$14,780,237	\$14,780,237
DMAS (Medical)	-	-	-	Indeterminate	Indeterminate	Indeterminate

**Position Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
DMAS	-	-	-	5.0	5.0	5.0

**Fiscal Analysis:** Currently, DMAS only contracts with a PBM to administer the fee-for-service (FFS) pharmacy benefit. Each managed care organization (MCO) that administers pharmacy benefits for Virginia Medicaid recipients individually contracts with a PBM. The bill would require DMAS to contract with a third-party administrator to serve as the state PBM for pharmacy benefits provided through both FFS and managed care. In addition, the bill requires that the state PBM use pass-through pricing as well as the common formulary, reimbursement methodologies, and dispensing fees as negotiated by DMAS. The provision to prohibit spread pricing is moved from Code § 32.1-325.

DMAS utilized Mercer, the agency-contracted actuarial firm, to develop medical assistance cost estimates for the introduced version of this bill. These estimates were based on pharmacy spending observed during calendar year 2023, pharmacy trend assumptions, and membership projections provided by DMAS. The initial Mercer analysis indicated that the program design could increase pharmacy costs to the Medicaid program by \$36.9 to \$51.1 million (all funds) each year. These cost projections were based on the adoption of a uniform preferred drug list and utilization of the current FFS dispensing fee (\$10.49). The amended bill requires DMAS to negotiate dispensing fees. While it is assumed that a negotiated fee would be less than the current FFS rate and likely higher than those paid by managed care organizations, DMAS does not have sufficient data to develop a revised cost estimate. In addition to pharmacy costs, an administrative savings from converting to a single PBM may occur. Because this single PBM would contract with each MCO, each MCO would no longer have a need for administrative costs to support their own PBM contract; thus, the capitation rates would be adjusted down. To estimate this savings, DMAS used a 2019 Mercer study of single PBM options. For this model, Mercer estimated a potential \$10 million (all funds) savings beginning in the year of implementation. Note: This savings amount has been revised from the initial statement to reflect a better understanding of information provided in the study.

DMAS maintains that the bill would require administrative effort for which the agency is not currently budgeted. Beginning in FY 2028, DMAS assumes that funding would be needed for five positions along with PBM contract and systems costs. The preliminary agency estimate is \$22.7 million (\$2.2 million general fund) in the first year of implementation and \$18.3 million (\$3.5 million general fund) each year thereafter. DMAS maintains that these positions would be needed to support the development and functions of the PBM. More specifically, the department expects that these positions would be dedicated to oversight, reporting, troubleshooting, rebate management, compliance, and escalations. DMAS reports that this effort is

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consistent with the level of staffing seen in other states for the pass-through model. The bill also requires DMAS to conduct an extensive evaluation of implementing a single PBM contract by December 15 of this year. Based on the vendor requirements, expected complexity, and timeframe associated with this evaluation, DMAS estimates a cost of \$1.0 million (\$0.5 million general fund) in FY 2026. It is assumed that this vendor would also assist DMAS with the process of contracting with a PBM.

**Other:** This bill is a companion to SB 875 and incorporates HB 2209.