Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

PUBLISHED: 2/2/2026 1:28 PM **ORIGINAL**

Bill Number: SB642-S1 **Patron:** Pillion
Bill Title: Health insurance; pharmacies; freedom of choice; delivery of prescription drugs.

Bill Summary: Prohibits an insurer, health maintenance organization, corporation providing preferred provider subscription contracts, or pharmacy benefits manager from imposing upon any person receiving pharmaceutical benefits any policy or practice requiring or incentivizing certain provisions relating to the delivery of prescription drugs.

Budget Amendment Necessary: Yes **Items Impacted:** 75, 469
Explanation: Budget amendments would be needed to provide the Health Insurance Fund with more nongeneral fund appropriation and to provide for the general fund impact to state agencies of increase health insurance premiums.

Fiscal Summary: Preliminary - This legislation will likely result in additional costs to the Health Insurance Fund, which pays health insurance claims for state employees. The total estimated impact to the Fund is $85.4 million, a portion of which would be supported by the general fund. The Health Insurance Fund is funded through a mix of premiums charged to state employees, the general fund, and nongeneral fund sources.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Central Appropriations	$0	$36.3 million (estimated)	$36.3 million (estimated)	$36.3 million (estimated)	$36.3 million (estimated)	$36.3 million (estimated)
TOTAL	**$0**	**$36.3 million (estimated)**	**$36.3 million (estimated)**	**$36.3 million (estimated)**	**$36.3 million (estimated)**	**$36.3 million (estimated)**

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Administration of Health Insurance (DHRM)	$0	$85.4 million	$85.4 million	$85.4 million	$85.4 million	$85.4 million
TOTAL	**$0**	**$85.4 million**	**$85.4 million**	**$85.4 million**	**$85.4 million**	**$85.4 million**

Fiscal Analysis: The Department of Human Resource Management (DHRM) indicates that this legislation will have an impact on the state employee health plan.

The bill expands the definition of “pharmacy” to include any physician practice, hospital outpatient infusion center, or other clinical setting that dispenses or administers drugs, medicines, or medicinal chemicals. Under existing law in this Code section, insurers are prohibited from imposing “Any copayment, fee or condition that is not equally imposed upon all individuals in the same benefit category, class or copayment level, whether or not such benefits are furnished by pharmacists who are nonpreferred or nonparticipating providers”. DHRM explains that under existing practice, member copayments differ for pharmacy-type claims filled at these more traditionally medical or clinical settings and such claims would typically apply under the medical benefits side of the health plan. DHRM’s interpretation of the interaction between these two provisions is that if a member of the health plan receives pharmaceutical benefits at a physician practice or other location specified by the bill, the plan’s pharmacy benefit copayments would apply. As the pharmacy benefit copayments are generally lower, this change would result in shifting costs from members to the health plan. Based on an analysis of drug prescriptions by place of fulfillment, DHRM estimates an impact of approximately $74.0 million shifting to the health plan. Exhibit 1 provides an example of this situation.

<u>Exhibit 1</u>

Member A	Member B
Prescribed Drug “X”, fills at an outpatient hospital	Prescribed Drug “X”, fills at pharmacy
Cost of drug: $45,000	Cost of drug: $25,000
Member pays $300 medical deductible, then 20% coninsurance up to $1,500 out-of-pocket maximum. Total member cost: $1,500	Member pays $55 copay. Total member cost: $55
Under the provisions of this bill, DHRM indicates Member A would now pay a $55 copay, which would shift $1,445 of cost from the member to the health plan.	Under the provisions of this bill, if this member opts to begin filling prescriptions at a higher cost prescription-filling site, the health plan would experience higher costs. If this member shifted to filling their prescription in the outpatient hospital setting in this example, the health plans’ costs would increase by $19,945 ($45,000 - $25,000 - $55).

The bill also adds a restriction that insurers cannot require or incentivize a prescription drug or device prescribed for the treatment of cancer or diseases of the blood to be sent (i) directly to a health care provider for administration to a patient, (ii) to a specific pharmacy selected by such insurer or pharmacy benefits manager, or (iii) to the residence of such person. DHRM expects some members receiving treatment for such diseases could shift to receiving treatment in a more clinical setting. Under the factors described above, this change in member behavior would also shift costs to the health plan. As an example, if 30 percent of such costs shifted, that would lead to an additional $3.2 million of costs to the state employee health plan.

DHRM indicates that the bill may also impact a current contractual program with one of the health plan's carriers. That program requires some prescriptions to be filled via specific means, which would be prohibited under the bill. The Commonwealth also receives medical rebates as a result of participation in this program. The loss of such rebates and plan savings associated with directing members to these specific fulfillment sites is estimated to cost the health plan $8.2 million.

Additional costs incurred from these changes will be paid out of the Health Insurance Fund (HIF), which is funded through premiums charged to state employees and their employing agencies. Agencies use general fund, nongeneral fund, or some combination of the two to make these premiums, depending on the fund sources available to the agency and from which source the employee is regularly paid. A portion of these costs, approximately 15 percent, would be paid by members of the state employee health plan, either through co-pays, co-insurance, or increased premiums. The remaining 85 percent would be charged to state agencies through higher premiums, which are currently paid 50 percent from the general fund and 50 percent from nongeneral fund sources. Increased health insurance premiums would require additional general fund appropriation be provided to state agencies.

Other: None.