

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

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**ORIGINAL**

**Bill Number:** HB631

**Patron:** Callsen

**Bill Title:** State pharmacy benefits manager; contractual provisions; report.

**Bill Summary:** Requires the Department of Medical Assistance Services' (DMAS) contract with the state pharmacy benefits manager (PBM) to: (i) require that that ingredient-cost reimbursement is based on the national average drug acquisition cost, or if unavailable, the wholesale acquisition cost minus a discount set by the Department, plus a professional dispensing fee, determined by the Department; (ii) require real-time or near real-time transparency in drug costs, rebates collected and paid, dispensing fees paid, administrative fees, and all other charges, fees, costs, and holdbacks, claim denials appeals, and network participation; (iii) prohibit the state pharmacy benefits manager from steering Medicaid recipients to affiliated pharmacies through differential cost-sharing, restrictive network design, or the mandatory use of a mail order pharmacy provider; (iv) require the state pharmacy benefits manager to (a) meet network adequacy standards established by the Department; (b) allow any willing pharmacy to participate in the pharmacy network; (c) verify that all contracted pharmacies are actively accepting Medicaid recipients; (d) submit annual reports containing certain information; (e) disclose to the Department pricing and maximum acquisition cost methodologies; and (f) allow invoice-based or national average drug acquisition cost-based appeals and require an adjustment of rates network-wide when an appeal is upheld; and (v) include enforcement mechanisms and monetary penalties for noncompliance.

Additionally, the bill requires Department to annually calculate the savings generated by the use of the state pharmacy benefits manager and to annually increase its dispensing fee by the amount of such savings. The bill requires the Department to annually (1) publish and make available on its website its annual and total savings achieved, the annual and total amount applied to dispensing fees increases, and the updated dispensing fees and (2) report to the General Assembly on the state pharmacy benefits manager's compliance, national average drug acquisition cost compliance, pharmacy reimbursement trends, network adequacy compliance, and dispensing fee sufficiency.

**Budget Amendment Necessary:** See below.

**Items Impacted:** 291, 295

**Explanation:** The provisions of this bill will require authority to amend the state plan for medical assistance and regulations on reimbursement methodology. Any updates to the dispensing fee will require authority to revise the state plan for medical assistance and regulations.

**Fiscal Summary:** This bill is expected to have an indeterminate fiscal impact on medical assistance programs administered by DMAS.

**General Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DMAS (602)	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

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**Nongeneral Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DMAS (602)	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

**Fiscal Analysis:** Chapter 701, 2025 Virginia Acts of Assembly required DMAS to establish a third-party state pharmacy benefits manager to administer all pharmacy benefits for Medicaid recipients by July 1, 2026. DMAS maintains that these current requirements have a fiscal impact for which the agency has not been budgeted. While these costs are discussed in “Other” below, they are not reflected in the expenditure impact since this bill does not generate the impact. However, DMAS maintains that several provisions in the bill will have an indeterminate impact on medical and administrative costs.

- One of the bill’s provisions would require that ingredient-cost reimbursement be based on the national average drug acquisition cost (NADAC), or if unavailable, the wholesale acquisition cost (WAC) minus a discount set by DMAS, plus a professional dispensing fee, determined by DMAS. The current reimbursement methodology in the state plan for medical assistance and regulations for the majority of outpatient drugs requires DMAS to pay the lesser of the NADAC of the drug, or when no NADAC is available, DMAS is required to reimburse at the WAC plus zero percent; the Federal Upper Limit (FUL) reimbursement; or, the provider’s usual and customary (U&C) charges to the public, as identified by claim charge. This change would have an indeterminate impact because the bill may increase reimbursement as it no longer provides options for selecting the “lesser of” and would not include FUL or U&C in the determination of a potentially lower reimbursement.
- DMAS is expected to provide “real-time or near real-time” transparency in drug costs, rebates, dispensing fees, administrative fees, and several other areas. While it is unclear if this provision is achievable, it is expected that system enhancements would be necessary. Until such time as a potential solution is envisioned, this administrative cost is indeterminate.
- The implications of the bill’s provisions related to PBM savings and associated dispensing fee increases are unknown at this time. It may prove difficult for DMAS to accurately determine such savings amounts and translate those savings into dispensing fee increases. It is unclear how DMAS would exclude savings amounts from the annual Medicaid forecasting process and administratively increase dispensing fees without a specific authorization from the General Assembly. Appropriation Act language limits agencies from increasing cost factors without an appropriation for such change being provided by the General Assembly.

**Other:** DMAS provided a report to the Governor and the General Assembly on December 1, 2025, that presented the projected cost of implementing a single statewide PBM based on legislation passed by the 2025 General Assembly. The DMAS report outlines a need of up to \$9.7 million (\$2.2 million state funds) in the first year, which is comprised of six months of procurement and six months of Design, Development and Implementation (DDI) and up to \$31.3 million (\$11 million state funds) in the second year, which is comprised of six months of DDI and six months of PBM operations. These costs include up to six new classified positions,

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five to six temporary implementation resources, two years of external implementation support, and system integration and related vendors. In the third year and thereafter, the report estimates a need of up to \$43.5 million (\$17.1 million state funds) annually to provide support and maintain the contract.

Appropriation has not been provided to account for the identified cost of implementing a single PBM; therefore, DMAS indicates that the agency will be unable to contract for the single PBM until such time as sufficient resources are provided.