

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

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ORIGINAL

Bill Number: HB1109 **Patron:** Hodges
Bill Title: Managed care organizations; pharmacy benefits manager; data collection and reporting requirements; civil penalty.

Bill Summary: Requires the Department of Medical Assistance Services (DMAS) to develop, and managed care organizations (MCO) and pharmacy benefits managers (PBM) to comply with, standardized methodologies for the collection and reporting of data related to expenditures, rebates, and the source of all cost components to the Department and the Centers for Medicare and Medicaid Services (CMS). The bill requires managed care organizations to solicit and undergo an independent audit of their reporting practices every two years and directs the Department to establish a compliance unit that may impose penalties on noncompliant managed care organizations and pharmacy benefits managers.

Budget Amendment Necessary: Yes **Items Impacted:** 295

Explanation: The bill requires resources for which the agency is not currently appropriated.

Fiscal Summary: DMAS needs two positions and the associated funding in order to monitor MCO and PBM compliance with the requirements in the bill.

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) Admin	-	\$218,907	\$215,237	\$215,237	\$215,237	\$215,237
DMAS (602) Medical	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

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) Admin	-	\$218,907	\$215,237	\$215,237	\$215,237	\$215,237
DMAS (602) Medical	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DMAS (602) Admin	-	2.00	2.00	2.00	2.00	2.00

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Fiscal Analysis: The bill requires DMAS to establish a compliance unit, responsible for overseeing the accuracy of the data submitted to the agency. In 2025, DMAS established a Compliance Office, which is responsible for managing the enforcement of contract violations and has an established process to issue civil penalties and liquidated damages. It is assumed that this unit would also handle the additional workload associated with the provisions of this bill. DMAS indicates that the unit will need two additional full-time Pharmacy Compliance Auditors, estimated to cost a total of \$437,814 (\$218,907 general fund) in FY 2027 and \$430,474 (\$215,237 general fund) in FY 2028 and each year thereafter. These positions will provide training and guidance to the MCOs and PBMs, analyze data, review and verify audits, impose penalties (including civil penalties), and issue and monitor corrective action plans based on inaccuracies and/or discrepancies. Additionally, the compliance unit would need to establish standardized methodologies for collecting and reporting additional pharmacy data to be shared with the MCOs and PBMs.

According to the agency, DMAS currently requires MCOs to submit standardized reporting on expenditures and cost components. However, pursuant to the bill, reporting would also need to include specific metrics related to drug spending, utilization rates, and prescription volumes as well as information on all transactions related to drug pricing, rebates negotiated by pharmacy benefits managers, and reimbursements.

To the extent that these new requirements alter pharmacy benefits or increase administrative effort for MCOs, fiscal implications may occur. Additionally, the requirement on MCOs to solicit and undergo an independent audit of their data every two years may also impact costs. There is currently insufficient data to determine these potential impacts. As such, any fiscal impact is indeterminate at this time. Note: According to DMAS, MCOs are prohibited from collecting drug rebates from manufacturers.

Other: None