



Fiscal Impact Statement for Proposed Legislation

Virginia State Corporation Commission

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Senate Bill 669

Version: Senate Sub 1

Patron: A. Rouse

Title: Pharmacy benefits managers; requirements, scope, report.

Summary: Requires a pharmacy benefits manager to use the pass-through pricing model and if requested by the plan sponsor, offer at least one contractual arrangement that limits income from pharmacy benefits management services to income derived from pharmacy management fees. If the contractual arrangement delegates the negotiation of rebates to the PBM, the PBM would be required to direct 100 percent of all manufacturer rebates to the carrier for offsetting defined cost sharing, deductibles, and coinsurance contributions, and premium reductions for the covered individuals, or to the at the point of sale to reduce the individual's deductible, copayment, coinsurance, or other cost-sharing amount. The bill prohibits a pharmacy benefits manager from (i) reversing and or resubmitting the claim of a pharmacist or pharmacy without meeting certain requirements, (ii) reducing any payment to a pharmacist or pharmacy to an effective rate of reimbursement, or (iii) retroactively denying or reducing a claim or aggregate of claims except under certain circumstances. The bill applies all of the requirements for pharmacy benefits managers to the state employee health plan and certain reporting requirements to the state pharmacy benefits manager. The bill requires the State Corporation Commission (the Commission) to annually prepare a report based on certain information that examines the overall impact of prescription drug costs on health care premiums in the Commonwealth. Additionally, the bill requires the Commission to examine the practice of carriers or pharmacy benefits managers requiring or inducing covered individuals to utilize pharmacy services at an affiliated pharmacy. The Commission is required to report its findings and recommendations to the General Assembly by December 1, 2026.

Effective Date(s): July 1, 2027 (1st EC) and December 1, 2026 (3rd EC)

Amendment Necessary: Budget, Item 474

Technical, see *Technical Note* below

None

Fiscal Summary

TYPE OF IMPACT	FY2026	FY2027	FY2028	FY2029	FY2030
REVENUE					
<i>General (01000)</i>	\$0	\$0	\$0	\$0	\$0
<i>Nongeneral (02090)</i>	\$0	\$0	\$0	\$0	\$0
EXPENDITURES					
<i>General (01000)</i>	\$0	\$0	\$0	\$0	\$0
<i>Nongeneral (02090)</i>	\$0	\$35,000	\$40,000	\$40,000	\$40,000
CHANGE IN FTE					
<i>General (01000)</i>	0	0	0	0	0
<i>Nongeneral (02090)</i>	0	0	0	0	0

Fiscal Analysis

Revenue

There are no assumptions for revenue for this bill.

This bill does not impact revenue at the State Corporation Commission. The requirements of this bill can be satisfied within the Bureau's current revenue authority.

Expenditures

An appropriation increase in the SCC Bureau of Insurance non-general fund as documented in the fiscal summary table will be needed for consulting services expenses. This expense will not require a revenue rate increase. With respect to the increased regulatory responsibilities effective July 1, 2027, recurring expenditures assume the use of two consultants for 100 hours each at a rate of \$200 per hour. It is further assumed that there would be one market conduct exam every two years with two consultants required to assist with the review. It also assumes that nonrecurring expenditures for the one-time report on steering due December 1, 2026, would require the use of two consultants for 87.5 hours each at a rate of \$200 per hour. The expenditure amount would reflect the mid-point within a range of estimated costs. With respect to both reporting requirements, it is assumed the Bureau will not need to collect novel data or require new IT systems.

These expenditures are based on the Bureau's historical experience in using consultants with specific expertise for work of this complexity as well as recent SCC procurements for similar consultants. The Bureau is recommending the use of consultants over FTE because it would be a more cost-effective use of resources to meet the need for specific expertise that is immediate and foreseeable, yet intermittent and substantial, and required to implement the significant expansion of Bureau regulatory oversight, compliance enforcement, and reporting responsibilities related to pharmacy benefit management that is unavailable in the Bureau. This need is exacerbated by the extremely short time frame to complete the report on steering (December 1, 2026). The consultants would be used to perform the necessary compliance reviews, to include requesting and reviewing carrier data, consulting with the Bureau team, and providing a summary of their findings, as well as completing the proposed steering report. The Bureau could receive more complaint filings as a

result of the additional requirements imposed on carriers and PBMs, which could reveal issues and concerns warranting more market conduct exams than assumed for this fiscal going forward. The opportunity cost in the form of personnel costs to complete the report on the impact of prescription drug costs is expected to be minimal and absorbable.

Change in FTE

The bill does not impact FTEs at the State Corporation Commission.

Other Comments

There are no other comments for the FIS.

Technical Note

There are no technical notes necessary.