



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Fiscal Note

Short Title: Medication Cost Transparency Act.
Bill Number: Senate Bill 257 (Second Edition)
Sponsor(s): Senators Perry, Britt, and Johnson

SUMMARY TABLE

	FISCAL IMPACT OF S.B. 257, V.2				
	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
State Impact					
General Fund Revenue*	84,010	84,010	84,010	84,010	84,010
Less Expenditures	84,010	84,010	84,010	84,010	84,010
General Fund Impact	-	-	-	-	-
Highway Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
Highway Fund Impact	-	-	-	-	-
Highway Trust					
Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
Highway Trust Fund Impact	-	-	-	-	-
Special Fund Revenues**	54,400	38,400	38,400	38,400	38,400
Less Expenditures	84,010	84,010	84,010	84,010	84,010
Special Fund Impact	(29,610)	(45,610)	(45,610)	(45,610)	(45,610)
Local Impact					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	-	-	-	-	-

*The State General Fund is reimbursed by a Department of Insurance (DOI) special fund for the cost of regulating the insurance industry.

**All DOI revenues are initially deposited into a special fund before transfer to the General Fund.

FISCAL IMPACT SUMMARY

Senate Bill 257 amends Chapter 58 to add a new section, G.S. 58-56A-2. Licensure, that would require licensure of pharmacy benefit managers (PBM). The bill sets initial application and renewal fees. The bill also sets forth the procedures for the Department of Insurance (Department) to administer the new licensure, including enforcement authority consistent with the Commissioner of Insurance's existing enforcement authority such as the examination of a records and operations, license revocation and related activities.

FISCAL ANALYSIS

Currently, the Department licenses 32 pharmacy benefits managers as Third-Party Administrators (TPAs). Each license is \$300 per year. This bill would establish a new PBM license and prohibit pharmacy benefits managers from operating without a license. Given the new licensing requirement in the bill, TPAs are expected to transition to PBMs. The bill establishes an initial PBM license fee of \$2,000 and an annual renewal fee of \$1,500. Assuming the number of PBMs remains constant, the State is projected to collect a total of \$64,000 in the first year of implementation and \$48,000 annually thereafter as follows:

Licensure	FY 2021-22	FY 2022-23*
Pharmacy Benefits Manager	64,000	48,000
Third-Party Administrator (existing licensure)	9,600	9,600
Net Revenue Impact	\$ 54,400	\$ 38,400

*Recurring revenue impact

The bill requires the Department to increase its oversight of this industry. To manage the increased workload, one additional position (Insurance Regulatory Analyst I at \$82,010 annually) is projected to be needed to review all required documentation for licensure, monitor the licensing status of all PBMs, and administer the ongoing examination process. The estimated operational cost of implementing the bill is \$84,010 each fiscal year including salary, benefits, and ancillary operating costs.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

DEPARTMENT OF INSURANCE

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS



This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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