



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0740.03 (001): Revise laws relating to pharmacies, pharmacy benefit managers, and other entities**

Primary Sponsor: Marta Bertoglio Status: As Amended in House

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$6,200,000	\$6,500,000	\$6,819,260	\$7,159,281
Revenues				
Other	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact

HB 740 generally revises laws related to pharmacies, pharmacy benefit managers, and other entities. The revisions include the recoupment of funds, pricing as it relates to the maximum allowable cost or the reference price list, and prohibits certain fees charged to pharmacies. The pricing in New Section 4 of HB 740 will apply to the State Plan. Specifically, new sub-section (5) requires that a plan sponsor, PBM or third-party payer must ensure reimbursement meets the new "floor" for minimum pricing set in (5)(a) and (b). The State Plan's PBM will not be able to avoid passing on the new minimum pricing to the State Plan. In addition, the proposed legislation will have a fiscal impact on the group insurance plan of the Montana University System (MUS).

The effect of HB 740, in combination with other legislation requiring certain benefit coverage, may over time require increases to employee contributions and the state share as set by 2-18-703, MCA.

FISCAL ANALYSIS

Assumptions

Department of Administration

1. The fiscal note was calculated using the number of scripts filled from February 2024 to February 2025 (12 months) under the State's plan, excluding Medicare Part D, Medicaid, compound drugs, and reversals.
2. All pharmacies considered were in the State of Montana.
3. The original script cost was determined based on the stamped cost in the state's PBM data, as adjudicated.
4. Cost increases were based on the increased National Average Drug Acquisition Cost (NADAC) or Wholesale Acquisition Cost(WAC) alternatives and the professional dispensing fee.

5. Using this methodology, each claim was repriced as though HB 740 were in effect, with the additional professional dispensing fee applied according to the pharmacy tier logic using the lowest dispensing cost tier of \$12.46. The lowest dispensing cost tier was used because the State Plan does not have the ability to determine each pharmacies prescription volume.
6. Original cost was compared to the HB 740 pricing logic to determine the fiscal impact of \$1,500,000 for the increased NADAC/WAC alternatives plus \$2,800,000 for the dispensing fee difference.
7. Year over year inflationary factor is estimated at 3.0%

Commissioner of Higher Education

8. Pharmacy Benefit Managers (PBM) must reimburse pharmacies at a minimum of 106% of the NADAC plus a professional dispensing fee, which must be no less than Montana Medicaid's fee-for-service rate.
9. In lieu of a published NADAC price, reimbursement will be determined by drug type:
 - a. Generic drugs must be reimbursed at 110% of the wholesale acquisition cost plus a professional dispensing fee.
 - b. Brand-name drugs must be reimbursed at 100% of the wholesale acquisition cost plus a professional dispensing fee.
10. Based on the utilization data of the previous 12 months, the FY 2026 impact on the MUS Group Insurance plan would be \$1,900,000.
11. Subsequent fiscal year impacts are based upon a 9% trend for pharmacy.

Department of Public Health and Human Services (DPHHS)

12. HB 740 does not include the MCA's surrounding Medicaid and Children's Health Insurance Program (CHIP). HB 740 requires PBMs to pay a professional cost to dispense that is not less than the rate employed by Montana Medicaid. DPHHS sets the dispensing fees at the providers actual cost, capped at the maximum allowable for their assigned prescription volume tier. HB 740 does not have a fiscal impact on the department.

State Auditor's Office (SAO)

13. The requirements of HB 740 could cause an increase in enforcement on the part of SAO. The SAO can cover the additional enforcement activities with existing staff.

Fiscal Analysis Table**Commissioner of Higher Education**

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Benefits	\$1,900,000	\$2,071,000	\$2,257,390	\$2,460,555
TOTAL Expenditures	\$1,900,000	\$2,071,000	\$2,257,390	\$2,460,555
<u>Funding of Expenditures</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$1,900,000	\$2,071,000	\$2,257,390	\$2,460,555
TOTAL Funding of Expenditures	\$1,900,000	\$2,071,000	\$2,257,390	\$2,460,555
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	(\$1,900,000)	(\$2,071,000)	(\$2,257,390)	(\$2,460,555)

Department of Administration

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Benefits	\$4,300,000	\$4,429,000	\$4,561,870	\$4,698,726
TOTAL Expenditures	<u>\$4,300,000</u>	<u>\$4,429,000</u>	<u>\$4,561,870</u>	<u>\$4,698,726</u>
<u>Funding of Expenditures</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$4,300,000	\$4,429,000	\$4,561,870	\$4,698,726
TOTAL Funding of Expenditures	<u>\$4,300,000</u>	<u>\$4,429,000</u>	<u>\$4,561,870</u>	<u>\$4,698,726</u>
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	<u>(\$4,300,000)</u>	<u>(\$4,429,000)</u>	<u>(\$4,561,870)</u>	<u>(\$4,698,726)</u>

STATEWIDE SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
TOTAL Fiscal Impact	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>Expenditures</u>				
Benefits	\$6,200,000	\$6,500,000	\$6,819,260	\$7,159,281
TOTAL Expenditures	<u>\$6,200,000</u>	<u>\$6,500,000</u>	<u>\$6,819,260</u>	<u>\$7,159,281</u>
<u>Funding of Expenditures</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	\$6,200,000	\$6,500,000	\$6,819,260	\$7,159,281
TOTAL Funding of Expenditures	<u>\$6,200,000</u>	<u>\$6,500,000</u>	<u>\$6,819,260</u>	<u>\$7,159,281</u>
<u>Revenues</u>				
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
Other	\$0	\$0	\$0	\$0
Proprietary Fund	<u>(\$6,200,000)</u>	<u>(\$6,500,000)</u>	<u>(\$6,819,260)</u>	<u>(\$7,159,281)</u>

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date 3/27/25



Budget Director's Initials

3/26/2025

Date