



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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**Bill Number:** H. 3934 Introduced on February 6, 2025  
**Subject:** Cost Sharing  
**Requestor:** House Labor, Commerce, and Industry  
**RFA Analyst(s):** Welsh  
**Impact Date:** March 31, 2026 - Updated for Additional Agency Response

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### Fiscal Impact Summary

This bill applies federal annual cost-sharing limits to all healthcare services covered under any health plan offered or issued by an insurer in the state. This bill counts all payments made by or on behalf of an enrollee towards their plan deductible and other cost-sharing obligations. This bill also includes an exception for brand-name drugs with available medically appropriate generic equivalents unless the brand drug is approved through prior authorization, step therapy, or appeals. Further, this bill prohibits insurers or third-party administrators from structuring the terms and benefits of a plan based on the availability of financial assistance for a prescription drug. This bill takes effect upon approval of the Governor and applies to health insurance or health benefit plans delivered, issued for delivery, or renewed on or after January 1, 2026.

This bill will have no expenditure impact on the Department of Health and Human Services (DHHS), Department of Insurance (DOI), or the Public Employee Benefit Authority (PEBA). The agencies anticipate any additional duties required by this bill can be managed within the normal course of business.

PEBA anticipates this bill will reduce revenue collected from prescription drug patient assistance. Currently, the State Health Plan offsets expenses with prescription drug patient assistance payments associated with some Medical University of South Carolina (MUSC) Health Plan policies. This bill requires these payments to be included when calculating an enrollee's contribution to applicable cost-sharing requirements. PEBA estimates this will result in an annual loss of revenue to the State Health Plan of approximately \$7,747,000 that will need to be offset by an increase in plan premiums. The additional premium expenses will be split between state agencies, local governments and employees.

DOI provided an actuarial report from consulting firm, L&E Actuaries & Consultants (L&E), to evaluate the potential impact of expanding this coverage. The actuarial report anticipates this bill will not materially impact policyholder premiums, the total cost of healthcare, the underlying unit cost of applicable prescription drugs, or insurer administrative expenses. L&E considers an impact above 0.05 percent to be material. The actuarial report anticipates any financial impact would stem from changes in cost-sharing mechanics and member cost accumulation timing rather than changes to the price of drugs, noting these impacts are likely to be concentrated among a small subset of members utilizing high-cost or specialty medications who rely on manufacturer assistance. Similarly, the actuarial report anticipates the bill may increase the use

of applicable prescription drugs among members utilizing these high-cost or specialty medications who rely on manufacturer assistance.

We anticipate this bill may result in an increase in private insurance premiums due to a reduction in prescription drug patient assistance payments. Insurance premiums are taxed at 1.25 percent. Insurance premium tax revenue is distributed 2.25 percent to Other Funds and 97.75 percent to the General Fund.

*This fiscal impact statement has been updated to include an additional response from DOI and information from the actuarial report obtained by DOI.*

## **Explanation of Fiscal Impact**

### **Introduced on February 6, 2025**

#### **State Expenditure**

This bill applies federal annual cost-sharing limits to all healthcare services covered under any health plan offered or issued by an insurer. This bill counts all payments made by or on behalf of an enrollee towards their plan deductible and other cost-sharing obligations. This bill also includes an exception for brand-name drugs with available medically appropriate generic equivalents unless the brand drug is approved through prior authorization, step therapy, or appeals. Further, this bill prohibits insurers or third-party administrators from structuring the terms and benefits of a plan based on the availability of financial assistance for a prescription drug. This bill takes effect upon approval of the Governor and applies to health insurance or health benefit plans delivered, issued for delivery, or renewed on or after January 1, 2026.

This bill will have no expenditure impact on DHHS, DOI, or PEBA. The agencies anticipate any additional duties required by this bill can be managed within the normal course of business.

PEBA estimates this bill will result in an annual revenue loss to the State Health Plan of approximately \$7,747,000 that will need to be offset by an increase in plan premiums. The additional premium expenses will be split between state agencies, local governments and employees.

*This section of the impact statement has been updated to include an additional response from DOI.*

#### **State Revenue**

This bill applies federal annual cost-sharing limits to all healthcare services covered under any health plan offered or issued by an insurer. This bill counts all payments made by or on behalf of an enrollee towards their plan deductible and other cost-sharing obligations. This bill also prohibits insurers or third-party administrators from structuring the terms and benefits of a plan based on the availability of manufacturer financial assistance.

PEBA anticipates this bill will reduce revenue collected from prescription drug patient assistance. Currently, the State Health Plan offsets expenses with prescription drug patient assistance payments associated with some MUSC Health Plan policies. This bill requires these payments to be included when calculating an enrollee's contribution to applicable cost-sharing requirements. PEBA estimates this will result in an annual revenue loss to the State Health Plan of approximately \$7,747,000 that will need to be offset by an increase in plan premiums. The agency indicates that the remaining portions of the State Health Plan does not currently utilize copay accumulators, and therefore, will not be impacted by this bill.

DOI provided an actuarial report from L&E to evaluate the potential impact of expanding this coverage. The actuarial report anticipates this bill will not materially impact policyholder premiums, the total cost of healthcare, the underlying unit cost of applicable prescription drugs, or insurer administrative expenses. L&E considers an impact above 0.05 percent to be material. The actuarial report anticipates any financial impact would stem from changes in cost-sharing mechanics and member cost accumulation timing rather than changes to the price of drugs, noting these impacts are likely to be concentrated among a small subset of members utilizing high-cost or specialty medications who rely on manufacturer assistance. Similarly, the actuarial report anticipates the bill may increase the use of applicable prescription drugs among members utilizing these high-cost or specialty medications who rely on manufacturer assistance.

Additionally, this bill may result in a change to insurance premiums due to a reduction in prescription drug patient assistance payments. Insurance premiums are taxed at 1.25 percent. Insurance premium tax revenue is distributed 2.25 percent to Other Funds and 97.75 percent to the General Fund.

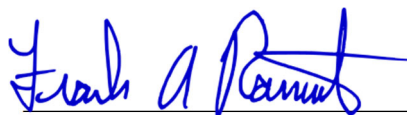
*This section of the impact statement has been updated to include information from the actuarial report provided by DOI.*

### **Local Expenditure**

As discussed above, this bill will increase health insurance premium for the State Health Plan. This will result in an increase in expenses for local governments who participate in the State Health Plan and will depend on the split between employer and employee contributions.

### **Local Revenue**

N/A



Frank A. Rainwater, Executive Director