



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.

Bill Number:	S. 0342	Introduced on February 13, 2025
Subject:	Pharmacy Services	
Requestor:	Senate Banking and Insurance	
RFA Analyst(s):	Welsh	
Impact Date:	March 4, 2025	

Fiscal Impact Summary

This bill amends provisions related to the operations of Pharmacy Benefits Managers (PBM). The bill restricts PBM reimbursements to pharmacies in certain situations subject to the Department of Insurance (DOI) regulation, prohibits some point-of-sale cost increases by PBMs, changes the circumstances under which PBMs may engage in claims reconciliation activities, and removes a section regarding placement of a drug on the Maximum Allowable Cost List by PBMs. This bill also removes language specifying Articles 21 and 23 of Title 38, Chapter 71 do not apply to the Department of Health and Human Services (DHHS) in its duties administering Medicaid and permits DHHS to assume direct responsibility for all Medicaid pharmacy services. Further, this bill authorizes the Attorney General's Office to bring an action against those in violation of the bill's provisions. This bill takes effect on January 1, 2026, and applies to all contracts entered into, renewed, or amended on or after this date.

This bill will have no expenditure impact on the Office of Attorney General as it anticipates any additional responsibilities can be managed within existing appropriations.

This bill will have no operational or expenditure impact on the Public Employee Benefit Authority (PEBA) or State Health Plan as the State Health Plan is exempt from the provisions of Section 2 of this bill. However, PEBA notes it anticipates there would be a significant fiscal impact to the State Health Plan if this exemption is removed.

DHHS anticipates this bill will have a significant impact on the Medicaid pharmacy program. This bill authorizes DHHS to assume direct responsibility for Medicaid pharmacy services or administer the Medicaid pharmacy benefit program with no more than two Medicaid-managed care organization pharmacy benefit managers. DHHS reports it currently uses five Medicaid-managed care organization pharmacy benefit managers. DHHS is working to provide additional analysis for this bill. The fiscal impact of this bill on DHHS is pending, contingent upon additional analysis from the agency.

This bill will increase DOI's oversight duties necessitating a new online complaint system with a non-recurring expense totaling approximately \$10,000. DOI also indicated it may need 1.0 FTE at an expense of \$73,500 of which \$52,500 is salary and \$21,000 is fringe. The total cost to DOI will range from \$10,000 to \$83,500, depending upon whether an FTE is required. DOI will request an increase in General Fund appropriations for these expenses.

Judicial anticipates this bill may increase the caseload in Circuit Court. Judicial anticipates that the increase in cases can be initially managed within existing appropriations. However, Judicial indicated that if the increase in the caseload is significant, it will request additional General Fund appropriations.

The fiscal impact of this bill on insurance premium taxes is pending, contingent upon an actuarial analysis of health insurance policies in the state provided by DOI pursuant to §2-7-73.

This bill may result in a change in the fines and fees collected in court. Court fines and fees are distributed to the General Fund, Other Funds, and local funds. Therefore, the Revenue and Fiscal Affairs Office (RFA) anticipates this bill may result a change to General Fund and Other Funds revenue due to the change in fines and fees collections in court.

Explanation of Fiscal Impact

Introduced on February 13, 2025

State Expenditure

This bill amends provisions related to the operations of PBM. The bill restricts PBM reimbursement of pharmacies in certain situations subject to DOI regulation, prohibits some point-of-sale cost increases by PBMs, changes the circumstances under which PBMs may engage in claims reconciliation activities, and removes a section regarding placement of a drug on the Maximum Allowable Cost List by PBMs. This bill also removes language specifying Articles 21 and 23 of Title 38, Chapter 71 do not apply to the DHHS in its duties administering Medicaid and permits DHHS to assume direct responsibility for all Medicaid pharmacy services. Further, this bill empowers the Attorney General's office to bring an action against those in violation of the bill's provisions.

Office of Attorney General. This bill will have no expenditure impact on the Office of Attorney General as it anticipates any additional responsibilities can be managed within existing appropriations.

Public Employee Benefit Authority. This bill will have no operational or expenditure impact on PEBA or State Health Plan. However, PEBA notes it anticipates there would be a significant fiscal impact to the State Health Plan if this exemption is removed.

Department of Health and Human Services. DHHS anticipates this bill will have a significant impact on the Medicaid pharmacy program. This bill authorizes DHHS to remove pharmacy services from Medicaid-managed care organization contracts and assume direct responsibility for all South Carolina Medicaid pharmacy services. Alternatively, DHHS may administer the Medicaid pharmacy benefit program with no more than two Medicaid-managed care organization pharmacy benefit managers. DHHS reports it currently uses five Medicaid-managed care organization pharmacy benefit managers. The fiscal impact of this bill on DHHS is pending, contingent upon additional analysis from the agency.

Department of Insurance. This bill will increase DOI's oversight duties including review of fees, handling complaints, and the promulgation of regulations. DOI indicates it will need to create a new online complaint system and may need to hire 1.0 FTE, a Program Coordinator I. An online complaint system will need to allow attachments and feed directly to DOI's State Base System with the National Association of Insurance Commissioners. The creation of this system represents a non-recurring expense totaling approximately \$10,000. Additionally, if necessary, DOI estimates the recurring cost of 1.0 new FTE Program Coordinator I will be \$73,500 of which \$52,500 is salary and \$21,000 is fringe. The total cost to DOI will range from \$10,000 to \$83,500, depending upon whether an FTE is required. DOI will request an increase in General Fund appropriations for these expenses.

Judicial. This bill may result in an increase in the number of cases in Circuit Court, which may increase the workload of the court system. The potential increase will depend on the number of entities engaging in conduct that will be deemed contrary to the provisions of this bill and how vigorously the law will be enforced. Judicial anticipates that the increase in cases can be initially managed within existing appropriations. However, Judicial indicated that if the increase in the caseload is significant, it will request additional General Fund appropriations.

State Revenue

The fiscal impact of this bill on insurance premium taxes is pending, contingent upon an actuarial analysis of health insurance policies in the state provided by DOI pursuant to §2-7-73.

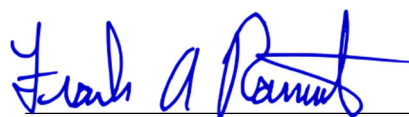
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Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director