



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

April 1, 2024

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H.233 – An act relating to licensure and regulation of pharmacy benefit managers

As Passed by the House

Bill Summary

The bill proposes changes to how the State oversees and regulates pharmacy benefit managers (PBMs). Amongst the many provisions of the bill, it would establish a framework for regulating PBMs and require that PBMs obtain licensure from the Department of Financial Regulation (DFR). It would establish new application, licensure, and renewal fees, and appropriate \$405,000 in fiscal year 2025 from the Insurance Regulatory and Supervision Fund to support DFR's regulatory activities as set forth in the bill.¹

Fiscal Impacts

Appropriations

Sec. 6 appropriates \$405,000 from the Insurance Regulatory and Supervision Fund in fiscal year 2025 to support the positions and regulatory activities set forth in the bill. Estimated wages and benefits for each position are as follows:

- One exempt Enforcement Attorney = \$137,600
- One classified Pharmacy Benefit Manager Investigator = \$155,500
- One classified Pharmacy Benefit Manager Licensing/Consumer Services Investigator = \$111,100

Revenues

The bill as recommended by the House Committee on Ways and Means would establish the following fees in Sec. 1:

- Application fee = \$1,600
- Initial licensure fee = \$10,000
- Annual license renewal fee = \$12,000

According to DFR, there are approximately 30 to 40 entities registered solely as PBMs with the Green Mountain Care Board. Based on this information, the estimated annual fee revenues are as follows:

- Fiscal year 2025: (35 PBMs) X (\$1,600 application fee + \$10,000 licensure fee) = \$406,000
- Fiscal year 2026: (35 PBMs) X (\$12,000 license renewal fee) = \$420,000

¹ 8 V.S.A. § 80

Other Considerations

The bill would take effect July 1, 2024. Even if all three positions were filled by that date, it could still be several months before DFR would begin collecting the new application and licensure fees. However, fee revenues into the Insurance Regulatory and Supervision Fund, where these fees would be deposited, consistently outpace expenditures. As such there would be money available to cover the costs until the revenues are received.

It should be noted that by statute, the balance of the Fund is transferred to the General Fund at the end of each fiscal year. The administration made assumptions regarding the availability of funds to be transferred when building the fiscal year 2025 budget. To the extent money used to cover the costs for this bill are not replenished with new fee revenue, less money would be available for transfer to the General Fund at year-end close-out.

Fiscal Summary

Appropriation:

- \$405,000 from the Insurance Regulatory and Supervision Fund in fiscal year 2025

Estimated revenues from fees:

- Fiscal year 2025 = \$406,000
- Fiscal year 2026 = \$420,000

Other

The bill as introduced was initially called “An act relating to pharmacy benefit management and Medicaid wholesale distribution.”