

March 7, 2024

The Honorable Daniel Hawkins, Chairperson  
House Committee on Interstate Cooperation  
300 SW 10th Avenue, Room 368-W  
Topeka, Kansas 66612

Dear Representative Hawkins:

**SUBJECT:** Fiscal Note for HB 2713 by House Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2713 is respectfully submitted to your committee.

HB 2713 would create the Ensuring Transparency in Prior Authorization Act that would become part of the Health Maintenance Organization Act. The bill would define a “utilization review entity” as an individual or entity that performs prior authorizations for groups described in the bill. By January 1, 2025, a utilization review entity would accept and respond to prior authorization requests under a pharmacy benefit through a secure electronic transmission using the National Council for Prescription Drug Programs script standard for electronic prior authorization transactions. By January 1, 2025, a utilization review entity would be required to accept and respond to prior authorization requests for healthcare services using a secure electronic portal at no cost to a healthcare provider. The bill details requirements of the utilization review entity to review and notify patients and healthcare providers of an approval or adverse determination of any prior authorization requests. The bill also limits which procedures are not subject to prior authorization requests. A utilization review entity could not retroactively deny prior authorizations for a covered healthcare service unless the prior authorization was based on fraudulent information provided by an enrollee or the enrollee’s healthcare provider. The bill details the appeal rights for prior authorization requests.

A utilization review entity would disclose all the requirements and restrictions related to prior authorization on its website and would give notice of any changes to each healthcare provider subject to the requirements or restrictions. Starting January 1, 2025, and annually thereafter, each utilization review entity would be required to submit a report to the Insurance Commissioner that

provides statistics about the prior authorization practices. The bill details the items that must be included in the report. The provisions of the bill would be severable.

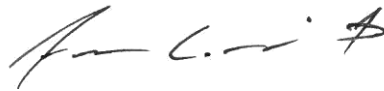
Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
<b>Expenditures</b>			
State General Fund	--	--	--
Fee Fund(s)	--	\$15,523,422	\$33,118,182
Federal Fund	--	--	--
Total Expenditures	--	\$15,523,422	\$33,118,182
<b>Revenues</b>			
State General Fund	--	--	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	--
FTE Positions	--	--	--

The Department of Administration states that the provisions of the bill would increase costs to the State Employee Health Benefits Program by removing prior authorization requirements for certain services, including certain types of inpatient care and pharmacy claims. The Department indicates that bill would increase costs for pharmacy benefits by \$6,062,709 in FY 2025. Based on recent claims data, the Department estimates pharmacy costs would increase for the state’s pharmacy benefits manager by \$12,125,418 in 2025. However, because the bill would go into effect on January 1, 2025, the FY 2025 estimate totals \$6,062,709 (\$12,125,418 X 50.0 percent). For pharmacy costs under the medical plan, the Department estimates enactment of the bill would increase costs to the plan by \$18,921,426. However, due to the timing of the bill, the FY 2025 estimate would total \$9,460,713 (\$18,921,426 X 50.0 percent). In total, enactment of the bill would increase costs to the State Employee Health Benefits Program by \$15,523,422 in FY 2025 (\$6,062,709 + 9,460,713). For FY 2026, the Department assumed an 8.5 percent increase in costs under the pharmacy benefits plan, resulting in additional expenditures of approximately \$13,156,079 (\$12,125,418 X 1.085). For pharmacy costs under the medical plan, the Department assumed a 5.5 percent increase, resulting in additional expenditures of approximately \$19,962,103 (18,921,425 X 1.055). In total, enactment of the bill would increase costs to the State Employee Health Benefits Program by \$33,118,182 (\$13,156,079 + 19,962,103) in FY 2026. The Department notes that the estimate only includes members of the State Employee Health Benefits Program.

The Board of Healing Arts and the Insurance Department indicates that the requirements of the bill could be managed within existing resources. The Behavioral Science Regulatory Board, the Kansas Dental Board, the Board of Examiners in Optometry, the Board of Nursing, the Board of Pharmacy, and the Department of Health and Environment state that the bill would not have a

fiscal effect on the agencies. Any fiscal effect associated with HB 2713 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt  
Director of the Budget

cc: Bobbi Mariani, Insurance Department  
Tamara Emery, Department of Administration  
Susan Gile, Board of Healing Arts  
Jan Murray, Board of Optometry  
Alexandra Blasi, Board of Pharmacy  
Jill Simons, Board of Nursing  
Charity Carlat, Kansas Dental Board  
David Fye, Behavioral Sciences Regulatory Board  
Amy Penrod, Department of Health & Environment