

# KANSAS CONSUMER PRESCRIPTION AND ACCOUNTABILITY ACT

[Senate Bill 20](#), as amended, was signed into law by Governor Kelly in April. It allows the state to have more oversight of Pharmacy Benefit Managers (PBMs) operating in Kansas, including licensing, rebate reporting, auditing, and the elimination of spread pricing. Additionally, the law applies a dispensing fee of \$10.50 per prescription fill.

## What is the role of a PBM?

PBMs serve as the middleman between drug manufacturers, health insurers and pharmacies. They determine drug pricing, pharmacy networks, and formulary cost tiers (generic, preferred, non-preferred).

## What group health plans are subject to SB 20?

Some measure of the law (e.g., annual reporting) applies to all plans. However, the more impactful components in [Section 5](#) of the Act apply to all fully insured group health plans, both private employers and plans sponsored by churches, schools, counties, and cities. Additionally, non-ERISA self-funded plans are subject to Section 5.

## What does Section 5 address?

Section 5 requires PBMs to stop spread pricing and return all rebates to health plans, directly or indirectly. It also mandates a \$10.50 dispensing fee, or a fee defined by state regulation, whichever is greater.

## What group health plans are exempt from Section 5?

Self-funded ERISA plans are not subject to Section 5. However, they must comply with the law's reporting requirements.

## What is a rebate?

Pharmaceutical companies will reduce the cost of their drugs or provide a rebate (i.e., discounts, credits) to PBMs as an incentive for the PBM to designate a drug on a PBM's formulary tier. The new law requires PBMs to pass all rebates and credits on to the health insurer to help lower consumer costs.

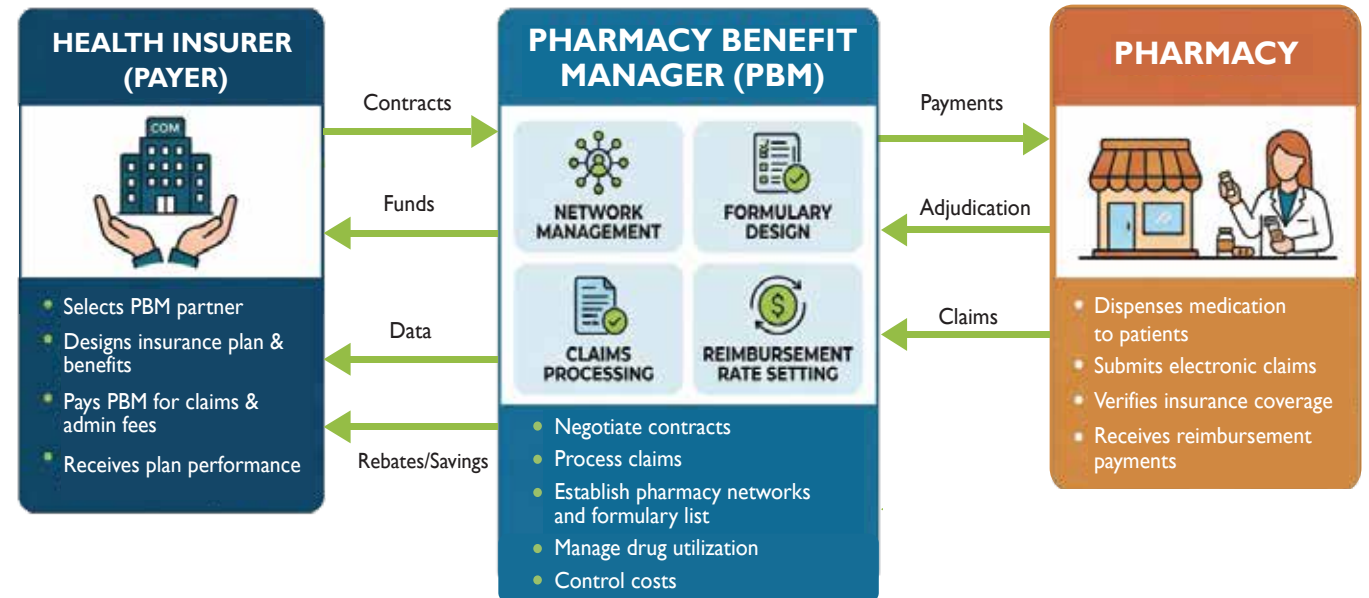
## What is spread pricing?

Spread pricing is a PBM practice where PBMs charge health plans more for drugs than they pay pharmacies. The concern is that the price variance is retained by the PBM as profit. The new law requires PBMs to charge a health plan the same price for a prescription as the PBM pays a pharmacy.

## What is a dispensing fee?

Today, a pharmacy receives a set fee by the PBM for every prescription it fills. The new Kansas law sets a consistent threshold dispensing fee of \$10.50, or a fee defined by state regulation, whichever is greater.

## THE RELATIONSHIP BETWEEN PAYERS AND PBMS



## Expected impact

At this time, it's not clear how the various provisions of the law will impact affected health plans. Proponents claim greater transparency and the elimination of spread pricing and other PBM practices will lower costs for consumers. Opponents believe the \$10.50 dispensing fee will be passed onto consumers, resulting in increased prescription costs. However, the dispensing fee is a small element in a complex supply chain. Spread pricing, rebates, performance fees, network participation fees, and other fee-generating practices by PBMs affect the cost of consumer prescription drugs.

With prescription drug costs accounting for nearly 25 percent of commercial health spending, federal and state regulators are searching to find solutions. In 2024, 17 states passed PBM oversight laws similar to Kansas, including mandated dispensing fees.