



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300

State Fiscal Note for Bill Number:

2026-H 7692

Date of State Budget Office Approval: Thursday, April 9, 2026

Date Requested: Tuesday, February 17, 2026

Date Due: Friday, February 27, 2026

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2026	N/A	FY 2026	N/A
FY 2027	\$1,513,526	FY 2027	Indeterminate
FY 2028	\$1,548,337	FY 2028	Indeterminate

Explanation by State Budget Office:

This act would set controls on Medicaid prescription drug costs by imposing transparency and accountability requirements on managed care organizations (MCOs) and their pharmacy benefit managers (PBMs).

Summary of Facts and Assumptions:

The act would take effect upon passage, which the Budget Office assumes to be July 1, 2026.

This bill expands the authority of the secretary of the Executive Office of Health and Human Services (EOHHS) to ensure that MCOs and PBMs serving the Rhode Island Medicaid program operate transparently, do not increase unnecessary costs for the program or its patients, and demonstrate improvements in patient health outcomes.

The bill also requires EOHHS, by January 1, 2027, to analyze and submit recommendations to the Governor and the General Assembly regarding: 1) creation of a single Medicaid PBM, 2) carving pharmacy benefits out of the managed care programs, 3) adopting a Medicaid uniform preferred prescription list, and 4) removal MCOs in favor of a Connecticut-style Medicaid program.

Connecticut's Medicaid program operates under a managed fee-for-service model, in which the state pays providers directly for services. By contrast, Rhode Island Medicaid uses a dual delivery system consisting of fee-for service and managed care. Most Medicaid beneficiaries are enrolled in managed care, under which the state pays capitated rates to MCOs to manage beneficiary care. As a result, the state would need to build internal capacity to implement many requirements that MCOs do on behalf of the State.

The bill also authorizes the secretary to employ staff and retain independent contractors with expertise in PBM operations and finances to implement and enforce its provisions.

The Budget Office consulted with EOHHS to estimate the staffing and contracting resources needed to implement and enforce the bill. The enacted SFY 2026 budget added 4.0 FTE positions for a pharmacy cost-containment initiative intended to evaluate and implement cost-containment strategies and reforms to Medicaid pharmacy payment and eligibility structures. That initiative



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assumed incremental hiring, with funding for the equivalent of one position included in FY 2026 and full funding for all four positions assumed in FY 2027. The Governor's FY 2027 recommended budget includes full funding for all four positions. The personnel costs for the remaining 3.0 FTE positions are as follows:

Health Research Director (Grade 36): \$160,754

Health Program Administrator (Grade 35): \$155,835

Health Program Administrator (Grade 35): \$155,835

EOHHS also indicated that an additional 2.0 FTE positions and fiscal analysis consulting services would be required, given that the bill's required analysis of a Connecticut-style model could not be absorbed within current operations. The estimated personnel and contract costs are as follows:

Pharmacist (Grade 27): \$120,524

Chief of Pharmacy and Related Services (Grade 38): \$170,579

Fiscal Analysis consultant: \$750,000 based on comparable scope of work

Therefore, the FY 2027 fiscal impact is estimated at \$1,513,526 in all funds, including \$756,763 in general revenue. For FY 2028, OMB assumes growth based on a 2.3 percent CPI, consistent with the November Consensus Economic Forecast. Applying that inflator results in an FY 2028 estimate of \$1,548,337 in all funds, including \$774,169 in general revenue.

The bill also authorizes the secretary to impose civil penalties of up to \$10,000 per violation and to take any other enforcement action not prohibited by law. Because the fiscal note cannot assume a specific level of noncompliance, any new fine revenue is indeterminate.

The bill does not limit the Attorney General's authority to take action against PBMs. It also allows EOHHS to promulgate rules and regulations and to consult with the Office of the Health Insurance Commissioner (OHIC), the Commissioner of Insurance, the Department of Business Regulation (DBR), and other state authorities to ensure effective oversight of MCOs and PBMs.

EOHHS has expressed concern about the January 1, 2027 implementation timeline. The agency states that it would be unable to implement the bill successfully without financial support for the required staffing and contractual costs.

Comments on Sources of Funds:

The Budget Office assumes that expenditures will be jointly financed by general revenues and federal funds. Staffing and contracting expenditures assume an administrative match rate of 50% federal share and 50% state share.



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Summary of Fiscal Impact:

FY 2026: No fiscal impact reported due to timing.

FY 2027:

General Revenue: \$756,763

Federal Funds: \$756,763

All Funds: \$1,513,526

FY 2028:

General Revenue: \$774,169

Federal Funds: \$774,169

All Funds: \$1,548,337

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