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February 20, 2026

Mr. Chris Chamness  
Commissioner  
Kentucky Personnel Cabinet  
501 High Street  
Frankfort Ky, 40601

Subject: Impact of Senate Bill 188 (SB 188)

Dear Mr. Chamness,

Aon analyzed the impact that SB 188 had on Kentucky Employees' Health Plan (KEHP), specifically the minimum pharmacy reimbursement requirements. Effective January 1, 2025, pharmacy benefit managers (PBMs) are required to reimburse a pharmacy or pharmacist no less than the national average drug acquisition cost (NADAC) for each specific drug or service dispensed. If that amount is not known or otherwise available, the PBM must reimburse the wholesale acquisition cost (WAC). Aon examined the financial effect of the transition from discounted average wholesale price (AWP) to NADAC as well as increasing the dispensing fee to independent pharmacies at \$10.64 per prescription.

### Methodology

Aon compared KEHP calendar year 2025 prescription drug cost to calendar year 2024 given the change went into effect January 1, 2025. Aon only included prescription drug claims where there was a prescription in both 2024 and 2025; therefore, removing any new drug to the market. Additionally, GLP-1 prescriptions were removed given the increase in utilization and the current price of these prescription drugs. Aon utilized the same drug mix by national drug code (NDC) and number of prescriptions from calendar year 2025.

### Results

The area with the largest savings were generic drug costs with a decrease of 51.5 percent resulting in savings of \$57,210,000. However, brand formulary and nonformulary still realized an increase of 9.1 percent and 10.4 percent, respectively. Therefore, the overall drug cost was essentially flat from 2024 to 2025.

On the other hand, the area where Aon saw the greatest increase was in the dispensing fees. The dispensing fees increased from \$557,000 to \$27,600,000 for a \$27,038,000 increase. The average dispensing fee increased from \$0.14 per prescription in 2024 to \$6.77 per prescription in 2025. The 2025 dispensing fees were \$10.64 per prescription filled at an independent pharmacy and \$5 per prescription filled at a non-independent (including chains).

Overall, the savings from drug price was not enough to overcome the higher dispensing fee resulting in KEHP paying \$26,108,000 more in 2025. Including the higher dispensing fees for new drugs and GLP-1s, **the overall impact would be \$28,800,000.**

	Drug Prices				Dispensing Fees			Overall
	2025	2024	% Change	\$ Change	2025	2024	\$ Change	\$ Change
Generic	\$ 53,940,000	\$ 111,150,000	-51.5%	\$ (57,210,000)	\$ 25,327,000	\$ 515,000	\$ 24,812,000	\$ (32,398,000)
Brand Formulary	\$ 504,210,000	\$ 462,230,000	9.1%	\$ 41,980,000	\$ 1,997,000	\$ 37,000	\$ 1,960,000	\$ 43,940,000
Brand Nonformulary	\$ 149,840,000	\$ 135,690,000	10.4%	\$ 14,150,000	\$ 173,000	\$ 2,000	\$ 171,000	\$ 14,321,000
Other	\$ 5,800,000	\$ 5,650,000	2.7%	\$ 150,000	\$ 98,000	\$ 3,000	\$ 95,000	\$ 245,000
<b>Total</b>	<b>\$ 713,790,000</b>	<b>\$ 714,720,000</b>	<b>-0.1%</b>	<b>\$ (930,000)</b>	<b>\$ 27,595,000</b>	<b>\$ 557,000</b>	<b>\$ 27,038,000</b>	<b>\$ 26,108,000</b>

**Other Considerations**

Prior to SB 188 being proposed, the Department of Employee Insurance (DEI) was in the middle of a request for proposal (RFP) for a pharmacy third-party administrator to secure better pricing terms. The 2024 drug prices were based on a contract 10 years old; therefore, the savings in drug cost would be diminished if the new contractual pricing was in place. SB 188 also restricted DEI's ability to have a specialty network or take advantage of programs that help maximize manufacturers' coupons, which resulted in KEHP paying higher drug costs. The impact of these programs is not included in the fiscal impact listed above.

Also, the above analysis assumes no drug price inflation. Per this national study<sup>i</sup>, new drugs really drove the increase in recent years with 2024 seeing prices remain flat (0.2 percent decrease). In our analysis, we removed new drugs to the market to neutralize for this impact.

Effective January 1, 2027, all prescriptions will have the same dispensing fee regardless of pharmacy type (independent, chain, etc.). KEHP had 4.5 million prescriptions filled in 2025. If the dispensing fee was \$10.64 for all pharmacies, KEHP would pay \$47.4 million more in 2025 compared to the 2024 dispensing fee.

**Source of Information**

We relied on data supplied by Merative through their carrier partners (Anthem and CVS). We have reviewed the data for reasonableness but have not audited it and do not attest herein to its accuracy. If the data used requires revision, our estimates may need to be revised as well.

We certify that, to the best of our knowledge, the methods and assumptions used are reasonable and are calculated in accordance with generally accepted actuarial principles. It should be noted that Aon's conclusions are based on certain assumptions that appear reasonable at this time. Actual experience can vary from projected experience, and this difference may be material.

If you have any questions or need additional information, please call me at +1 303 521 4372 or email me at colleen.huber@aon.com.

Sincerely,

Aon Consulting, Inc.

Colleen M. Huber, FSA, MAAA  
Senior Vice President

<sup>i</sup> [National trends in prescription drug expenditures and projections for 2025; PubMed \(July 2025\)](#)