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[HF 2401](#) – Regulation of Pharmacy Benefits Managers (LSB5093HV)  
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Fiscal Note Version – New

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## **Description**

[House File 2401](#) relates to pharmacy benefits managers (PBMs), pharmacies, and prescription drug pricing; provides applicability provisions; and provides protections for pharmacies and pharmacists, contract requirements for prescription drug pricing, and requirements for the appeal and dispute process between PBMs and pharmacies.

The Bill applies to PBMs who manage a prescription drug benefit in the State on or after July 1, 2024.

## **Background**

Iowa Code chapter [510B](#) defines “pharmacy benefits manager” as a person who, pursuant to a contract or other relationship with a third-party payor, either directly or through an intermediary, manages a prescription drug benefit provided by the third-party payor.

As defined in Iowa Code chapter 510B, “third-party payor” means any entity other than a covered person or a health care provider that is responsible for any amount of reimbursement for a prescription drug benefit. “Third-party payor” includes health carriers and other entities that provide a plan of health insurance or health care benefits. Exceptions to the definition can be found in Iowa Code section 510B.1(22).

A maximum allowable cost (MAC) list is a list of prescription drugs that includes the MAC for each prescription drug and that is used by a PBM. The MAC is the maximum amount for which a pharmacy will be reimbursed by a PBM or health carrier for a drug and may be measured via multiple methods, including but not limited to average acquisition cost, national average acquisition cost, average manufacturer price, average wholesale price, and wholesale acquisition cost.

House File 2401 is estimated to impact approximately 25.2% of the State’s population (807,000 persons). This includes individual coverage, fully insured small and large employer groups, self-insured public employees, and the State of Iowa Plan.

Of the individuals not covered by the mandate, approximately 47.9% are covered by government-sponsored health insurance, 23.0% are covered by employer coverage that is governed by the federal [Employee Retirement Income Security Act of 1974 \(ERISA\)](#), and the remaining 3.9% are uninsured. Additional details are presented in **Figure 1**.

**Figure 1 — Population Covered by Insurance Plans Regulated by Iowa Law**

<b>Type of Coverage</b>	<b>Iowa Population</b>	<b>Percent of Population</b>
Total Population 2022	3,200,517	100.0%
<b>Included in Mandate</b>		
Individual Coverage	102,399	3.2%
Fully Insured Small Employer Group	140,349	4.4%
Fully Insured Large Employer Group	294,013	9.2%
Self-Insured Public Employees	215,000	6.7%
State of Iowa Plan	55,000	1.7%
<b>Total</b>	<b>806,761</b>	<b>25.2%</b>
<b>Not Included in Mandate</b>		
Employer (self-insured + other types not listed)	736,868	23.0%
Uninsured	126,000	3.9%
Other Public (Military, Tricare, Veterans Affairs)	21,600	0.7%
Medicare	658,382	20.6%
Medicaid + Children’s Health Insurance Plan	850,906	26.6%
<b>Total</b>	<b>2,393,756</b>	<b>74.8%</b>

Source: Iowa Insurance Division, Department of Insurance and Financial Services, and Wellmark

**Assumptions**

- Neither the spread pricing nor the pass-through pricing, as required by the Bill, will represent a meaningful change from current practices for the State’s health plans.
- The MAC requirements in the Bill may, in some cases, increase the amount reimbursed per unit for filling prescriptions.
- State of Iowa Plan and the Board of Regents Insurance Plans prescription drug spending may increase between 0.2% and 2.0% as a result of the MAC requirements.
- Potential offsetting pricing changes by PBMs may decrease the overall effect of increased prescription drug spending, making the lower end of the above range more likely.

**Fiscal Impact**

House File 2401 is estimated to increase annual cost to the State of Iowa Insurance Plan by between approximately \$223,000 and \$2.2 million and the Board of Regents Insurance Plans between \$283,000 and \$2.8 million, as shown in **Figure 2**, beginning in FY 2025.

It is estimated that the lower end of this range is more likely to occur, since offsetting price changes by PBMs, as a result of pharmacy reimbursement rates changing, will decrease the overall effect of MAC requirements in the Bill.

**Figure 2 — Annual Fiscal Impact Summary**

	<b>Pharmacy Spend</b>	<b>Low Estimate of Increased Pharmacy Costs</b>	<b>High Estimate of Increased Pharmacy Costs</b>
State University of Iowa	\$ 106,100,000	\$ 212,000	\$ 2,123,000
Iowa State University	29,200,000	58,000	585,000
University of Northern Iowa	6,400,000	13,000	128,000
<b>University Total</b>	<b>\$ 141,700,000</b>	<b>\$ 283,000</b>	<b>\$ 2,836,000</b>
State of Iowa	111,700,000	223,000	2,233,000
<b>Total</b>	<b>\$ 253,400,000</b>	<b>\$ 506,000</b>	<b>\$ 5,069,000</b>

Amounts may not total due to rounding.

**Sources**

Iowa Insurance Division, Department of Insurance and Financial Services  
 Board of Regents  
 Wellmark  
 Legislative Services Agency

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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