

H-8190

1 Amend the amendment, H-8179, to House File 2401, as follows:

2 1. Page 2, after line 17 by inserting:

3 <___. Page 4, after line 14 by inserting:

4 <DIVISION _____

5 PHARMACY BENEFITS MANAGER REVERSE AUCTIONS

6 Sec. _____. NEW SECTION. 8A.319 Pharmacy benefits manager
7 reverse auctions.

8 1. This section may be cited as *"The Iowa Competitive*
9 *Pharmacy Benefits Managers Marketplace Act"*.

10 2. As used in this section, unless the context otherwise
11 requires:

12 a. *"Market check"* means a technology-driven evaluation of an
13 incumbent pharmacy benefits manager's prescription drug pricing
14 based on benchmark comparators derived from pharmacy benefits
15 manager reverse auction processes conducted in the United
16 States over the immediately preceding twelve months.

17 b. *"Participant bidding agreement"* means an online
18 agreement that details common definitions, prescription drug
19 classifications, rules, data access and use rights, and other
20 optimal contract terms that benefit the state and that all
21 bidders must accept as a prerequisite for participation in a
22 pharmacy benefits manager reverse auction.

23 c. *"Pharmacy benefits manager"* means the same as defined in
24 section 510B.1.

25 d. *"Pharmacy benefits manager reverse auction"* means an
26 automated, transparent, and competitive bidding process
27 conducted online that starts with an opening round of bids
28 and allows qualified pharmacy benefits manager bidders to
29 counteroffer a lower price for as many rounds of bidding
30 as determined by the department for a multiple health plan
31 prescription drug purchasing group.

32 e. *"Price"* means the projected cost of a pharmacy benefits
33 manager's bid to provide prescription drug benefits to allow
34 direct comparison of the comparably calculated costs of
35 competing pharmacy benefits managers' proposals over the

1 duration of the pharmacy benefits manager's services contract.

2 *f. "Real-time"* means within no more than one hour.

3 *g. "Self-funded private sector health plan"* means any
4 self-funded private sector employer or multi-employer health
5 plan.

6 *h. "Self-funded public sector health plan"* means any group
7 benefit plan under chapter 509A.

8 3. Consistent with section 8A.311, and notwithstanding any
9 other law to the contrary, the department shall enter into a
10 contract for the services of a pharmacy benefits manager for
11 the administration of benefits of self-funded public sector
12 health plans in compliance with this section.

13 4. Prior to November 1, 2024, the department shall
14 procure, through solicitation of proposals from qualified
15 professional services vendors, all of the following based on
16 price, capabilities, and other factors deemed relevant by the
17 department:

18 *a.* A technology platform with the capabilities to conduct
19 a pharmacy benefits manager reverse auction. The department
20 shall ensure that the technology platform possesses, at a
21 minimum, the capacity to do all of the following:

22 (1) Conduct an automated, online, reverse auction of
23 pharmacy benefits manager services using a software application
24 and high-performance data infrastructure to intake, cleanse,
25 and normalize pharmacy benefits manager data with development
26 methods and information security standards that have been
27 validated by receiving service organization control 2 and
28 national institute of standards and technology certification,
29 or successor information technology security certifications, as
30 identified by the office of the chief information officer.

31 (2) Automate repricing of diverse and complex pharmacy
32 benefits managers' prescription drug pricing proposals to allow
33 direct comparison by the state of the comparably calculated
34 costs of pharmacy benefits managers' bids using one hundred
35 percent of annual prescription drug claims data available

1 for state-funded health plans, or a multiple health plan
2 prescription drug purchasing group, and using code-based
3 classification of drugs from nationally accepted drug sources.

4 (3) Simultaneously evaluate in real-time diverse and
5 complex multiple proposals from full-service pharmacy benefits
6 managers, including average wholesale price, guaranteed
7 net cost, and national average drug acquisition cost
8 pricing models, as well as proposals from pharmacy benefits
9 administrators and specialty drug and rebate carve-out service
10 providers.

11 (4) Produce an automated report and analysis of pharmacy
12 benefits managers' bids, including ranking of pharmacy benefits
13 managers' bids based on comparative costs and qualitative
14 aspects of the bids in real-time following the close of each
15 round of reverse auction bidding.

16 (5) Perform real-time, electronic, line-by-line,
17 claim-by-claim review of one hundred percent of invoiced
18 pharmacy benefits managers' prescription drug claims, and
19 identify all deviations from the specific terms of the pharmacy
20 benefits manager's services contract that resulted from the
21 reserve auction process.

22 *b.* Related services from the operator of the technology
23 platform identified in paragraph "a", which at a minimum shall
24 include all of the following:

25 (1) Evaluation of the qualifications of pharmacy benefits
26 manager bidders.

27 (2) Pharmacy benefits manager reverse auction services to
28 support the department in comparing pricing for the pharmacy
29 benefits manager procurement.

30 (3) Related professional services.

31 5. The department shall not award a contract for the
32 technology platform and technology operator services to a
33 vendor that is a pharmacy benefits manager or to a vendor that
34 is managed by, or a subsidiary or affiliate of, a pharmacy
35 benefits manager.

1 6. The vendor awarded the contract by the department shall
2 not outsource any part of the pharmacy benefits manager reverse
3 auction or any part of the automated, real-time, electronic,
4 line-by-line, claim-by-claim review of invoiced pharmacy
5 benefits manager prescription drug claims.

6 7. With technical assistance and support provided by the
7 technology platform operator, the department shall specify the
8 terms of the participant bidding agreement. The terms of the
9 participant bidding agreement shall not be modified except by
10 specific consent of the department.

11 8. a. The technology platform used to conduct the reverse
12 auction shall be repurposed over the duration of the pharmacy
13 benefits manager's services contract as an automated pharmacy
14 claims adjudication engine to perform real-time, electronic,
15 line-by-line, claim-by-claim review of one hundred percent of
16 invoiced pharmacy benefits manager's prescription drug claims,
17 and to identify all deviations from the specific terms of the
18 pharmacy benefits manager's services contract.

19 b. The department shall reconcile the electronically
20 adjudicated pharmacy claims, as described in paragraph "a",
21 with pharmacy benefits manager's invoices on a monthly or
22 quarterly basis to ensure that state payments shall not exceed
23 the terms specified in any pharmacy benefits manager's services
24 contract.

25 c. If following state payment to the pharmacy benefits
26 manager on the basis of the reconciliation under paragraph
27 "b" the pharmacy benefits manager asserts that the department
28 paid less than the amount owed, the pharmacy benefits manager
29 may seek resolution through a mutually acceptable dispute
30 resolution process that the parties agreed to in the terms of
31 the services contract under subsection 9, paragraph "a".

32 9. a. The first pharmacy benefits manager reverse auction
33 shall be completed and the services contract shall be awarded
34 to the winning pharmacy benefits manager with an effective date
35 beginning July 1, 2025. Subsequent contracts must be awarded

1 no later than three months prior to termination or expiration
2 of the current pharmacy benefits manager's services contract
3 for a covered group, such as the state employees benefits
4 group, that includes only active employees and dependents, but
5 does not include retiree participants in a Medicare part D
6 employer group waiver program pursuant to the federal Medicare
7 Prescription Drug, Improvement, and Modernization Act of 2003,
8 Pub. L. No. 108-173.

9 *b.* In the event an eligible covered group that includes
10 retiree participants in a Medicare part D employer group
11 waiver program pursuant to the federal Medicare Prescription
12 Drug, Improvement, and Modernization Act of 2003, Pub. L. No.
13 108-173, opts to use the processes and procedures under this
14 section, the relevant pharmacy benefits manager reverse auction
15 shall be completed and the pharmacy benefits manager services
16 contract shall be awarded to the winning pharmacy benefits
17 manager no later than six months prior to termination or
18 expiration of the pharmacy benefits manager's services contract
19 currently covering the retiree employer group waiver program
20 participants.

21 10. The department may perform a market check for providing
22 pharmacy benefits manager services during the term of the
23 current pharmacy benefits manager's services contract in order
24 to ensure continuing competitiveness of incumbent prescription
25 drug pricing during the term of a pharmacy benefits manager's
26 services contract.

27 11. To ensure that the department does not incur additional
28 expenditures associated with the pharmacy benefits manager
29 reverse auction, ongoing electronic review and validation
30 of pharmacy benefits managers' claims, and periodic market
31 checks, the department shall implement a no-pay option that
32 obligates the winning pharmacy benefits manager, rather than
33 the state, to pay the cost of the technology platform and
34 related technology platform operator services by assessing the
35 pharmacy benefits manager a per-prescription fee in an amount

1 agreed to by the department and the technology operator, and
2 requiring the pharmacy benefits manager to pay the fees to the
3 technology operator over the duration of the pharmacy benefits
4 manager's services contract. The obligation of the winning
5 pharmacy benefits manager to pay the per-prescription fee shall
6 be incorporated as a term of the participant bidding agreement
7 and the pharmacy benefits manager's services contract awarded
8 to the pharmacy benefits manager reverse auction winner.

9 12. *a.* This section shall apply to group benefit plans
10 under chapter 509A. This section shall not apply to nonprofit,
11 nongovernmental health maintenance organizations with respect
12 to managed care plans that provide a majority of covered health
13 care services through a single contracted medical group.

14 *b.* (1) Three years after the first service contract is
15 awarded to a pharmacy benefits manager pursuant to subsection
16 9, paragraph "a", any self-funded private sector health plan
17 with substantial participation by Iowa employees and the
18 employees' dependents shall have the option to conduct a
19 pharmacy benefits manager reverse auction for the specific
20 self-funded private sector health plan utilizing the technology
21 platform and technology operator services selected by the
22 department under this section. The department may charge the
23 self-funded private sector health plan a fee, as established
24 by the department by rule, sufficient to cover any incremental
25 cost associated with the pharmacy benefits manager reverse
26 auction.

27 (2) A pharmacy benefits manager selected by a self-funded
28 private sector health plan as a result of a pharmacy benefits
29 manager reverse auction conducted pursuant to subparagraph
30 (1) shall be assessed a per-prescription fee, pursuant to
31 subsection 11, in an amount determined by the department by
32 rule.

33 *c.* Any self-funded public sector health plans or self-funded
34 private sector health plans that opt to conduct a pharmacy
35 benefits manager reverse auction shall retain full autonomy

1 over determination of the individual health plan's respective
2 prescription drug formularies and pharmacy benefit designs,
3 and shall not be required to adopt a common prescription drug
4 formulary or common prescription pharmacy benefit design.

5 *d.* Any pharmacy benefits manager providing services to the
6 department, to a self-funded public sector health plan, or
7 to a self-funded private sector health plan as described in
8 this section shall provide the department, each participating
9 self-funded public sector health plan, and each participating
10 self-funded private sector health plan access to complete
11 pharmacy claims data necessary to conduct the pharmacy
12 benefits manager reverse auction and to carry out applicable
13 administrative and management duties.

14 13. Notwithstanding subsection 3, the department may elect
15 to vacate the outcome of a pharmacy benefits manager reverse
16 auction if the lowest-cost pharmacy benefits manager's bid
17 is not less than the projected cost trend for the incumbent
18 pharmacy benefits manager's services contract as verified by
19 the department. The department may utilize a consultant to
20 conduct the verification. The cost trend shall be projected
21 by the technology platform operator using industry-recognized
22 data sources and shall be subject to review and approval by
23 the department in advance of the pharmacy benefits manager
24 reverse auction. Methodology shall be applied consistently in
25 projection of cost and savings to the state with regard to the
26 incumbent pharmacy benefits manager's services contract and
27 competing pharmacy benefits manager reverse auction bids.>>

28 2. By renumbering, redesignating, and correcting internal
29 references as necessary.

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