

H-8192

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

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

3

<DIVISION \_\_\_\_\_

4

PHARMACY BENEFITS MANAGER REVERSE AUCTIONS

5

Sec. \_\_\_\_ . NEW SECTION. 8A.319 Pharmacy benefits manager

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reverse auctions.

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1. This section may be cited as *"The Iowa Competitive*

8

*Pharmacy Benefits Managers Marketplace Act"*.

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2. As used in this section, unless the context otherwise

10 requires:

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*a. "Market check"* means a technology-driven evaluation of an

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incumbent pharmacy benefits manager's prescription drug pricing

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based on benchmark comparators derived from pharmacy benefits

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manager reverse auction processes conducted in the United

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States over the immediately preceding twelve months.

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*b. "Participant bidding agreement"* means an online

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agreement that details common definitions, prescription drug

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classifications, rules, data access and use rights, and other

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optimal contract terms that benefit the state and that all

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bidders must accept as a prerequisite for participation in a

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pharmacy benefits manager reverse auction.

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*c. "Pharmacy benefits manager"* means the same as defined in

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section 510B.1.

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*d. "Pharmacy benefits manager reverse auction"* means an

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automated, transparent, and competitive bidding process

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conducted online that starts with an opening round of bids

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and allows qualified pharmacy benefits manager bidders to

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counteroffer a lower price for as many rounds of bidding

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as determined by the department for a multiple health plan

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prescription drug purchasing group.

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*e. "Price"* means the projected cost of a pharmacy benefits

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manager's bid to provide prescription drug benefits to allow

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direct comparison of the comparably calculated costs of

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competing pharmacy benefits managers' proposals over the

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duration of the pharmacy benefits manager's services contract.

1     *f.* “*Real-time*” means within no more than one hour.

2     *g.* “*Self-funded private sector health plan*” means any  
3 self-funded private sector employer or multi-employer health  
4 plan.

5     *h.* “*Self-funded public sector health plan*” means any group  
6 benefit plan under chapter 509A.

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

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

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

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

30         (2) Automate repricing of diverse and complex pharmacy  
31 benefits managers’ prescription drug pricing proposals to allow  
32 direct comparison by the state of the comparably calculated  
33 costs of pharmacy benefits managers’ bids using one hundred  
34 percent of annual prescription drug claims data available  
35 for state-funded health plans, or a multiple health plan

1 prescription drug purchasing group, and using code-based  
2 classification of drugs from nationally accepted drug sources.

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

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

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

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

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

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

29 (3) Related professional services.

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

35 6. The vendor awarded the contract by the department shall

1 not outsource any part of the pharmacy benefits manager reverse  
2 auction or any part of the automated, real-time, electronic,  
3 line-by-line, claim-by-claim review of invoiced pharmacy  
4 benefits manager prescription drug claims.

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

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

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

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

31 9. *a.* The first pharmacy benefits manager reverse auction  
32 shall be completed and the services contract shall be awarded  
33 to the winning pharmacy benefits manager with an effective date  
34 beginning July 1, 2025. Subsequent contracts must be awarded  
35 no later than three months prior to termination or expiration

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

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

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

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

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

8 12. All of the following shall be incorporated as terms of  
9 the participant bidding agreement and the pharmacy benefits  
10 manager's services contract awarded to the pharmacy benefits  
11 manager reverse auction winner:

12 a. The department shall require an average acquisition  
13 cost reimbursement methodology for pharmacy ingredient cost  
14 reimbursement of all prescription drugs covered by a pharmacy  
15 benefits manager.

16 b. A reasonable professional service fee shall be provided  
17 to a pharmacist for the pharmacist's time and service included  
18 in dispensing prescription drugs covered by a pharmacy benefits  
19 manager.

20 c. A covered person shall not be prohibited from filling a  
21 prescription drug order at any pharmacy in the state provided  
22 that the pharmacy accepts the same terms and conditions as the  
23 pharmacies participating in the covered person's health benefit  
24 plan's network.

25 d. With the exception of incentives in value-based programs  
26 established by a health carrier or a pharmacy benefits manager  
27 to promote the use of higher quality pharmacies, a pharmacy  
28 benefits manager shall not impose different cost-sharing or  
29 additional fees on a covered person based on the pharmacy at  
30 which the covered person fills a prescription drug order.

31 e. A pharmacy benefits manager shall not require a covered  
32 person, as a condition of payment or reimbursement, to purchase  
33 pharmacy services, including prescription drugs, exclusively  
34 through a mail-order pharmacy.

35 13. a. This section shall apply to group benefit plans

1 under chapter 509A. This section shall not apply to nonprofit,  
2 nongovernmental health maintenance organizations with respect  
3 to managed care plans that provide a majority of covered health  
4 care services through a single contracted medical group.

5 *b.* (1) Three years after the first service contract is  
6 awarded to a pharmacy benefits manager pursuant to subsection  
7 9, paragraph "a", any self-funded private sector health plan  
8 with substantial participation by Iowa employees and the  
9 employees' dependents shall have the option to conduct a  
10 pharmacy benefits manager reverse auction for the specific  
11 self-funded private sector health plan utilizing the technology  
12 platform and technology operator services selected by the  
13 department under this section. The department may charge the  
14 self-funded private sector health plan a fee, as established  
15 by the department by rule, sufficient to cover any incremental  
16 cost associated with the pharmacy benefits manager reverse  
17 auction.

18 (2) A pharmacy benefits manager selected by a self-funded  
19 private sector health plan as a result of a pharmacy benefits  
20 manager reverse auction conducted pursuant to subparagraph  
21 (1) shall be assessed a per-prescription fee, pursuant to  
22 subsection 11, in an amount determined by the department by  
23 rule.

24 *c.* Any self-funded public sector health plans or self-funded  
25 private sector health plans that opt to conduct a pharmacy  
26 benefits manager reverse auction shall retain full autonomy  
27 over determination of the individual health plan's respective  
28 prescription drug formularies and pharmacy benefit designs,  
29 and shall not be required to adopt a common prescription drug  
30 formulary or common prescription pharmacy benefit design.

31 *d.* Any pharmacy benefits manager providing services to the  
32 department, to a self-funded public sector health plan, or  
33 to a self-funded private sector health plan as described in  
34 this section shall provide the department, each participating  
35 self-funded public sector health plan, and each participating

1 self-funded private sector health plan access to complete  
2 pharmacy claims data necessary to conduct the pharmacy  
3 benefits manager reverse auction and to carry out applicable  
4 administrative and management duties.

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

19 2. By renumbering as necessary.

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LUNDGREN of Dubuque