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**HF 680** – Pharmacy Benefit Managers (LSB2553HV)

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Fiscal Note Version – New

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**Description**

[House File 680](#) proposes the creation of Iowa Code chapter 510C, which requires a pharmacy benefit manager (PBM) to allow into its network otherwise qualified retail pharmacies. The Bill also prohibits pharmacy benefit managers from requiring that patients receive prescriptions via a mail order pharmacy and from imposing any different limitations or cost burdens on patients who elect to receive prescriptions from a network retail pharmacy instead of a mail order pharmacy, allowing patients to choose where to obtain their prescriptions. The Bill also establishes methods of appeal for retail pharmacies that are determined to not be qualified by a PBM, as well as methods for PBMs or insurance carriers to appeal any decision by the Commissioner of Insurance. The Commissioner is directed to adopt rules to administer the chapter and is granted enforcement powers in the event of violations.

**Background**

A PBM is a health care entity that contracts with insurers, employers, unions, and government programs to administer the prescription drug portion of the health care benefit.

In 2017, a 2014 amendment to Iowa Code chapter [501B](#) was subject to litigation, [Pharmaceutical Care Management Association \(PCMA\) v. Gerhart](#), resulting in a U.S. Court of Appeals Eighth Circuit decision that the federal Employee Retirement Income Security Act of 1974 (ERISA) expressly preempts Iowa Code section [510B.8](#). Iowa Code section [510B.8](#) regulated how PBMs set drug prices and required certain disclosures.

Current practice requiring mail order specialty drugs saves the State of Iowa Employee Group Health Insurance Plan approximately 6.0% on those specialty drugs. Specialty drugs account for 30.0% of the drug costs for the Iowa Group plan, and drug costs account for 24.0% of total health care costs.

**Assumptions**

- The number and complexity of investigations into potential violations of Iowa Code chapter 510C is unknown, and investigations could range from document requests to full trials with judicial appeal.
- Any appropriation for additional Insurance Division staff would likely be from the Commerce Revolving Fund.

## **Fiscal Impact**

### **Insurance Division**

The Insurance Division of the Department of Commerce anticipates that to enforce Iowa Code chapter 510C, it would need at least one additional Compliance Officer at an annual cost of \$110,000, and 2.0 full-time equivalent (FTE) positions for Insurance Company Examiner Specialist positions, which would have a combined annual cost of \$240,000.

### **Iowa Employee Group Health Insurance Plan**

Wellmark estimates that health care costs would increase by 0.40%, or \$1.6 million, as a result of prohibiting health care providers from requiring that specialty drugs to be ordered from mail order pharmacies.

## **Sources**

Department of Commerce, Insurance Division  
National Conference of State Legislatures  
Wellmark

/s/ Holly M. Lyons

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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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