



SF 563 – Health Benefit Plan and Pharmacy Benefit Manager Transparency (LSB2106SV)
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Fiscal Note Version – New (Same as Fiscal Note for [HF 489](#))

Description

[Senate File 563](#) creates two new chapters in the Iowa Code. New Iowa Code chapter 510C requires pharmacy benefit managers to annually report to the Commissioner of Insurance information about rebates and fees received, with the Commissioner posting nonconfidential information received to a publicly accessible website. New Iowa Code chapter 514M requires health carriers to reduce cost sharing requirements for prescription drugs for a covered person using a statutory formula. The Commissioner is directed to adopt rules to administer the new Code chapter and is given enforcement authority.

Background

A pharmacy benefit manager (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 an 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.

In calendar year 2018, the State of Iowa's employee group health insurance plan had approximately 696,200 prescriptions filled for an approximate gross cost of \$84.9 million. The State of Iowa employee group plan paid 88.1% of those costs and the plan members paid 11.9% of the costs. Plan members chose to substitute a generic medication in lieu of a brand-name medication in 99.5% of cases when a generic was available, or 86.5% of all prescriptions filled. Specialty medications accounted for 1.1% of the total number of prescriptions but were responsible for 41.0% of the total gross cost of prescriptions.

Assumptions

- Some costs for prescription drugs will be shifted from the member to the group based on the Bill's definition of maximum cost sharing.
- As rebate benefits are shifted from the group to the member, it is assumed that there will be member movement from generic to brand-name prescription drugs as the cost sharing changes reduce the members' incentive to choose the generic version of the drug.
- This Bill will not be applicable to Medicaid fee-for-service (FFS) or Medicaid and Healthy and Well Kids in Iowa (hawk-i) managed contracts.

Fiscal Impact

Iowa Employee Benefit Plan

There will be an estimated increased cost of \$2.0 million to the State employee group plan as costs are shifted from the member to the group. This is not an increase in expenditures, but rather a shifting of responsibility. It is also anticipated that an additional \$4.0 million to \$8.0 million in costs will be incurred by the State employee group plan because of employees choosing brand-name prescription drugs rather than the generic options. Therefore, the total cost increase to the State employee group plan is between \$6.0 million and \$10.0 million.

The estimated impact to monthly premiums paid by the State and monthly employee share is shown in the following table.

Table 1 — SF 563

Estimated Cost Change to State Employee Group Plan Premiums

	Current Total Monthly Premium	Proposed Total Monthly Premium	Current Monthly Employee Share	Proposed Monthly Employee Share	Percent Increase to Employee Share
Iowa Choice					
Single	\$699.00	\$723.47	\$39.26	\$63.73	62.30%
Family	\$1,642.00	\$1,699.47	\$147.66	\$205.13	38.90%
National Choice					
Single	\$769.00	\$795.92	\$109.26	\$136.18	24.60%
Family	\$1,806.00	\$1,869.21	\$311.66	\$374.87	20.30%

Insurance Division

The Insurance Division of the Department of Commerce anticipates that to enforce the new Iowa Code chapters, at least 1.0 additional Compliance Officer 2 full-time equivalent (FTE) position will need to be added to the Division for monitoring and enforcement purposes. This additional FTE position would cost \$110,000 for salary and benefits and \$5,000 in additional overhead to meet the responsibilities of the position. The Division also anticipates programming and electronic filing system creation costs of no less than \$100,000.

Sources

Department of Administrative Services
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.