



[HF 2553](#) – National Drug Acquisition Cost (LSB5787HV)
Staff Contact: Christopher Ubben (515.725.0134) chris.ubben@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2553](#) places requirements on a Pharmacy Benefit Manager (PBM) regarding the policies and procedures of maximum allowable cost lists (MAC lists), and provides certain rights and permissions to contracted pharmacies when they operate with a PBM.

The Bill creates specific requirements that must be met before a PBM can place or continue to include a particular drug on the MAC list, including that the listed drug on the MAC list must be available for purchase by each pharmacy in this State from a national or regional wholesaler licensed in this State. The PBM must allow a pharmacy access to the MAC list, and must update the MAC list within seven calendar days of the date of an increase in acquisition costs, a change in MAC methodology, or a change in the value of any variable used in the methodology on which the MAC is based.

The Bill also provides that a PBM cannot reimburse a pharmacy for an amount less than the amount that the PBM reimburses an affiliate for the same drug. A PBM is also prohibited from reducing the payment amount on a claim after the date of receiving a clean claim for payment from a contracted pharmacy. The Bill prohibits a PBM from terminating a contracted pharmacy for providing direct delivery or delivery by mail of drugs to covered persons. Under the provisions of this Bill, PBMs are also prohibited from a practice called “spread pricing” wherein a PBM charges a health benefit plan a contracted price for a drug and the price differs from the amount the PBM directly or indirectly pays a pharmacy for that same drug.

The Bill permits a pharmacy to decline to provide services to a PBM or a covered person if the cost allowed on the MAC list results in the pharmacy being paid less than the pharmacy’s acquisition cost for the drug.

The obligation and authority of enforcing the provisions contained in this Bill is given to the Commissioner of Insurance with procedures set forth in Iowa Code chapters [507](#) and [510](#).

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.

A MAC list is a list of drugs or methodologies used by a PBM setting the maximum allowable payment to a pharmacy for a prescription drug.

In 2019, [SF 563](#) was enacted which created Iowa Code chapter [510C](#), which 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.

Assumptions

Iowa Employee Group Health Insurance Plan

Wellmark Blue Cross and Blue Shield of Iowa (Wellmark) asserts that according to published industry studies, the use of PBMs result in savings of 10.0% to 20.0% in pharmaceutical costs to health benefits plans. Wellmark further estimates that the provisions of this Bill would reduce the effectiveness of PBMs by 1.0% to 2.0%.

Enforcement

The Iowa Insurance Division (IID) estimates that it would need to hire a compliance officer and two insurance company examiner specialists to perform its increased obligations as detailed in the Bill. The IID assumes that the appropriation for additional staff would come from the Commerce Revolving Fund.

Fiscal Impact

Iowa Employee Group Health Insurance Plan

The current pharmaceutical cost of the State of Iowa plans is approximately \$80.0 million. Based on the 1.0% to 2.0% estimated reduction in savings assumed by Wellmark, this legislation could result in an increase in the State's pharmaceutical costs of approximately \$800,000 to \$1.6 million per year.

Enforcement

The estimated annual costs IID would incur are \$110,000 for the compliance officer and \$240,000 for the two insurance company examiner specialists. The total costs incurred by the IID for the three new FTEs would be approximately \$350,000 per year from the Commerce Revolving Fund.

Sources

Department of Administrative Services
Wellmark Blue Cross and Blue Shield of Iowa

/s/ Holly M. Lyons

March 10, 2020

Doc ID 1132860

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.

www.legis.iowa.gov