Fiscal Note

Fiscal Services Division

HF 729 – Pharmacy Benefits Manager, Reimbursement (LSB2245HV)
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Fiscal Note Version – Revised Based on New Fiscal Information

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Description

House File 729 relates to pharmacy benefits managers (PBMs), pharmacies, and prescription drug benefits and applies to PBMs that manage a health carrier's prescription drug benefit in the State. The Bill does the following:

- Requires pharmacy benefits managers to allow pharmacies located in the State to participate in a pharmacy network, provided that the pharmacy accepts the same terms and conditions as those the PBM imposes on the pharmacies in the network.
- Prohibits a PBM from assessing, charging, or collecting any form of renumeration that passes from a pharmacy in the network to the PBM, including but not limited to claim processing fees, performance-based fees, network participation fees, or accreditation fees.
- Prohibits a covered person from being required to make a cost-sharing payment at the point-of-sale for a prescription drug in an amount that exceeds the maximum allowable cost for that drug.
- Allows for covered persons to fill drug orders at any pharmacy located in the State if the pharmacy accepts the same terms and conditions as the PBM on at least one of the pharmacy networks that the PBM has established in the State.
- Prohibits PBMs from imposing different cost-sharing or additional fees on a covered person based on the pharmacy at which a covered person fills their prescription.
- Allows a pharmacy to decline to dispense a drug to a covered person if, as a result of the maximum allowable cost list (MACL) to which the pharmacy is subject, the pharmacy will be reimbursed less than the pharmacy's acquisition cost.
- Requires that prior to placement of a particular drug on an MACL, a PBM must ensure that the drug is listed as therapeutically and pharmaceutically equivalent in the most recent edition of the Approved Drug Products with Therapeutic Equivalence Evaluations, as published by the U.S. Food and Drug Administration.
- Requires a PBM to provide each pharmacy in a network reasonable access to the MACL to which the pharmacy is subject, and to update each MACL within seven calendar days from the date of an increase of 10.0% or more in the pharmacy acquisition cost of a drug by one or more distributors doing business in the State. The PBM must also update an MACL within seven calendar days from the date of a change in the methodology, or a change in a value of a variable applied in the methodology on which the MACL is based. The PBM is also required to provide a prompt process for notifying each pharmacy in a network of all changes to an MACL.
- Prohibits a PBM for reimbursing a pharmacy located in the State for an amount less than the amount that the PBM reimburses a PBM affiliate for dispensing the same drug as the pharmacy.
- Provides that after the date of receipt of a "clean claim" submitted by the pharmacy, a PBM cannot retroactively reduce payment on the claim. However, payment can be reduced if the claim is found not to be a "clean claim" during the course of a routine audit.
- Requires a PBM to provide a process for pharmacies to appeal a maximum allowable cost (MAC) or a reimbursement made under an MACL.

- Requires the Insurance Commissioner to take any enforcement action under the Commissioner's authority to enforce compliance.
- Requires the Insurance Commissioner to adopt rules to administer the Bill.

Background

Currently, as a cost-saving measure, Wellmark supplies specialty drugs that are obtained via mail order through restricted outlets.

Assumptions

- The MAC provisions would increase the amount reimbursed per unit for filling prescriptions. This language is estimated to increase costs for the State of Iowa Plan group by 6.6%.
- The PBM affiliate provisions in the Bill are estimated to increase costs for the State of Iowa Plan group by 5.3%.
- The supply of specialty drugs through restricted outlets is not allowed under the Bill. The discontinuance of this cost-saving measure would raise the costs of specialty drugs by approximately 6.0%. For the State of Iowa Plan group, specialty drugs account for 30.0% of drug expenses. Drug-related claims for the State of Iowa Plan group, specifically, are estimated to increase by 1.8%.
- Additional enforcement actions as carried out by the Insurance Division will require the Division to add 1.0 full-time equivalent (FTE) position for an Insurance Complaint Analyst.

Fiscal Impact

The total increased cost to the State General Fund and other State funds that are used to pay for the provision of health insurance to State of Iowa employees is estimated to be $10.2 million annually. This is due in part to the increase in drug expenses after cost-saving measures are eliminated, and also due to the increased reimbursement amount per unit for filling prescriptions.

The total cost to the Commerce Revolving Fund is approximately $76,000 annually for an Insurance Complaint Analyst FTE position, for the purpose of enforcing compliance with the provisions in the Bill.

Source

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.