



[SF 2231](#) – Pharmacy Benefits Managers (LSB5519SV)
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Fiscal Note Version – New

Description

[Senate File 2231](#) relates to pharmacy benefits managers (PBMs), pharmacies, and prescription drug benefits. The Bill does the following:

- Defines terms; requires rulemaking; clarifies language; adds additional duties to PBMs, health carriers, and the Iowa Insurance Division in the Department of Commerce; and makes changes to PBM reimbursements.
- Prohibits a covered person from making a cost-sharing payment at the point of sale for a prescription drug in an amount that exceeds the maximum allowable cost (MAC) for that drug. The MAC is the maximum amount a pharmacy will be reimbursed by a PBM or a health carrier for a prescription drug.
- Prevents PBMs from prohibiting pharmacies from disclosing or selling lower-cost drug options to covered persons.
- Applies prescription drug copayments to the covered person's deductible.
- Allows a covered person to fill prescription drug orders at any pharmacy in the State, provided that the pharmacy accepts the same terms and conditions of the covered person's health benefit plan. Prohibits PBMs from changing cost-sharing and additional fees based on the pharmacy.
- Prohibits PBMs from requiring purchases exclusively through a mail-order pharmacy.
- Calculates a covered person's cost-sharing at the point of sale to ensure the covered person does not pay more than the cost of a drug after rebates have been applied.
- Requires PBMs to include moneys paid by, or on the behalf of, a covered person when calculating the covered person's cost-sharing.
- Allows a pharmacy to decline to fill a prescription if the maximum the pharmacy may charge for the prescription is less than the pharmacy's acquisition cost.
- Prohibits a PBM from paying a reimbursement to a pharmacy or pharmacist less than the national average drug acquisition cost for each drug.
- Requires a PBM to reimburse a dispensing fee no less than the Iowa Medicaid enterprise provider fee schedule. Requires a PBM to reimburse all in-state pharmacies at the rate the PBM reimburses its affiliates for dispersing the same prescription drug.

Background

Cost-sharing payments are out-of-pocket cost obligations imposed by a health benefit plan on a covered person. These include but are not limited to coverage limits, copayments, coinsurance, and deductibles.

Currently, as a cost-saving measure, Wellmark supplies specialty drugs that are obtained via mail order through restricted outlets. This impacts the State of Iowa Plan.

The Commissioner of Insurance is responsible for ensuring parties subject to laws related to cost-sharing payments law are in compliance.

Senate File 2231 is estimated to impact approximately 25.8% of the population (822,000). This includes individual coverage, fully insured small and large employer groups, self-insured public employees, and the State of Iowa Plan.

Of the population covered by insurance plans not regulated by Iowa law, approximately 45.2% are covered by government-sponsored health insurance, 23.0% are covered by employer coverage that is governed by the federal [Employee Retirement Income Security Act of 1974](#) (ERISA), and the remaining 6.0% are uninsured.

Population Covered by Insurance Plans Regulated by Iowa Law

Type of Coverage	Iowa Population	Percent of Population
Total Population 2020	3,190,369	100.0%
Regulated by Iowa Law		
Individual Coverage	95,732	3.0%
Fully Insured Small Employer Group	150,607	4.7%
Fully Insured Large Employer Group	310,458	9.7%
Self-Insured Public Employees	215,000	6.7%
State of Iowa Plan	50,000	1.6%
Total	821,797	25.8%
Not Regulated by Iowa Law		
Employer (self-insured + other types not listed)	733,995	23.0%
Uninsured	192,400	6.0%
Other Public (Military, Tricare, Veterans Affairs)	50,300	1.6%
Medicare	641,859	20.1%
Medicaid - Children's Health Insurance Plan	750,018	23.5%
Total	2,368,572	74.2%

Source: Iowa Insurance Division, Department of Commerce

State of Iowa Plan

Assumptions

- Prescription drug utilization by insured individuals will increase 0.5% annually.
- Prescription drug cost will increase 8.5% annually.
- Reducing point-of-sale price by 100.0% of all rebates will increase utilization of generic and brand-name drug prescriptions. Between 0.5% and 1.5% of generic drug prescriptions will move to a brand-name alternative over the course of a year.
- There will be a 1.0% to 3.0% increase in brand-name prescriptions filled.
- The PBM affiliate provisions in the Bill are estimated to increase costs for the State of Iowa Plan by 5.3%. The MAC provisions will 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%. There is overlap of the increased cost between the Bill language affecting both the affiliate pharmacies and the MAC.
- The supply of specialty drugs solely through mail-order pharmacies is not allowed under the Bill. The discontinuance of this cost-saving measure will 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%.
- There will be an increase of \$10.30 per prescription for increased dispensing fees.

- The State of Iowa Plan generates approximately 640,000 prescriptions annually.

Fiscal Impact

Senate File 2231 is expected to increase claim liabilities for the State of Iowa Plan between \$20.6 million and \$30.8 million annually. This corresponds to an increase between 6.2% and 9.3% in total claim spending.

The estimated cost increases due to SF 2231 are broken down as follows:

- An increase of approximately \$3.0 million due to prescription drug copayments counting toward a covered individual's deductible.
- An increase of between \$4.0 million and \$11.0 million for anticipated changes in utilization (switching from generic to brand-name drugs).
- An increase of between \$5.3 million and \$8.5 million for higher reimbursement levels for pharmacies.
- An increase of approximately \$1.7 million for removing the requirement of purchasing certain prescriptions solely through mail-order pharmacies.
- An increase of approximately \$6.6 million (\$10.30 multiplied by 640,000 prescriptions) for dispensing fee reimbursements.

Board of Regents

Assumptions

- The Board of Regents, included in Self-Insured Public Employees, generates approximately 987,000 prescriptions annually.
- There will be an increase of \$10.00 per prescription for increased dispensing fees.

Fiscal Impact

Senate File 2231 is expected to increase claim liabilities for the Board of Regents self-funded health plans by approximately \$25.0 million annually.

The estimated cost increases due to SF 2231 are broken down as follows:

- An increase of approximately \$9.9 million (\$10 multiplied by 987,000 prescriptions) for dispensing fee reimbursements.
- An increase of approximately \$15.1 million for higher reimbursement levels for pharmacies.

Iowa Insurance Division, Department of Commerce

Assumption

Additional examination and enforcement actions as carried out by the Insurance Division will require the Division to add 2.0 full-time equivalent (FTE) positions for an Insurance Examiner Specialist and an Insurance Complaint Analyst.

Fiscal Impact

The total cost to the Commerce Revolving Fund is approximately \$200,000 and 2.0 FTE positions annually. This cost is for an Insurance Examiner Specialist FTE position, with a salary of approximately \$110,000, and an Insurance Complaint Analyst, with a salary of approximately \$90,000, for the purposes of examining and enforcing compliance with the provisions of the Bill.

Sources

Board of Regents
Insurance Division, Department of Commerce
Wellmark

/s/ Holly M. Lyons

March 1, 2022

Doc ID 1287258

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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