

Senate File 315 - Introduced

SENATE FILE 315
BY COMMITTEE ON HEALTH AND HUMAN
SERVICES

(SUCCESSOR TO SSB 1017)

A BILL FOR

- 1 An Act relating to pharmacy benefits manager reverse auctions and
2 group insurance for public employees and including effective
3 date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. **8A.319 Pharmacy benefits manager**
2 **reverse auctions.**

3 1. This section may be cited as the "*Iowa Competitive*
4 *Pharmacy Benefits Managers Marketplace Act*".

5 2. As used in this section, unless the context otherwise
6 requires:

7 a. "*Market check*" means a technology-driven evaluation of an
8 incumbent pharmacy benefits manager's prescription drug pricing
9 based on benchmark comparators derived from pharmacy benefits
10 manager reverse auction processes conducted in the United States
11 over the immediately preceding twelve months.

12 b. "*Participant bidding agreement*" means an online
13 agreement that details common definitions, prescription drug
14 classifications, rules, data access and use rights, and other
15 optimal contract terms that benefit the state and that all
16 bidders must accept as a prerequisite for participation in a
17 pharmacy benefits manager reverse auction.

18 c. "*Pharmacy benefits manager*" means the same as defined in
19 section 510B.1.

20 d. "*Pharmacy benefits manager reverse auction*" means a
21 transparent and competitive bidding process conducted online
22 that starts with an opening round of bids and allows qualified
23 pharmacy benefits manager bidders to counteroffer a lower price
24 for as many rounds of bidding as determined by the department for
25 a multiple health plan prescription drug purchasing group.

26 e. "*Price*" means the projected cost of a pharmacy benefits
27 manager's bid to provide prescription drug benefits to allow
28 direct comparison of the comparably calculated costs of competing
29 pharmacy benefits managers' proposals over the duration of the
30 pharmacy benefits manager's services contract.

31 f. "*Self-funded public sector health plan*" means any group
32 benefit plan under chapter 509A.

33 3. Consistent with section 8A.311, and notwithstanding any
34 other law to the contrary, the department shall enter into a
35 contract for the services of a pharmacy benefits manager for the

1 administration of benefits of self-funded public sector health
2 plans in compliance with this section.

3 4. Prior to November 1, 2025, the department shall procure
4 all of the following based on price, capabilities, and other
5 factors deemed relevant by the department:

6 a. A technology platform with the capabilities to conduct a
7 pharmacy benefits manager reverse auction. The department shall
8 ensure that the technology platform possesses, at a minimum, the
9 capacity to do all of the following:

10 (1) Conduct an online reverse auction of pharmacy
11 benefits manager services using a software application and
12 high-performance data infrastructure to intake, cleanse, and
13 normalize pharmacy benefits manager data with development methods
14 and information security standards that have been validated
15 by receiving service organization control 2 and national
16 institute of standards and technology certification, or successor
17 information technology security certifications, as identified by
18 the office of the chief information officer.

19 (2) Automate repricing of diverse and complex pharmacy
20 benefits managers' prescription drug pricing proposals to allow
21 direct comparison by the state of the comparably calculated
22 costs of pharmacy benefits managers' bids using one hundred
23 percent of annual prescription drug claims data available for
24 state-funded health plans, or a multiple health plan prescription
25 drug purchasing group, and using code-based classification of
26 drugs from nationally accepted drug sources.

27 (3) Simultaneously evaluate diverse and complex multiple
28 proposals from full-service pharmacy benefits managers, including
29 average wholesale price, guaranteed net cost, and national
30 average drug acquisition cost pricing models, as well as
31 proposals from pharmacy benefits administrators and specialty
32 drug and rebate carve-out service providers.

33 (4) Produce an automated report and analysis of pharmacy
34 benefits managers' bids, including ranking of pharmacy benefits
35 managers' bids based on comparative costs and qualitative aspects

1 of the bids following the close of each round of reverse auction
2 bidding.

3 (5) Perform electronic, line-by-line, claim-by-claim review
4 of one hundred percent of invoiced pharmacy benefits managers'
5 prescription drug claims, and identify all deviations from
6 the specific terms of the pharmacy benefits manager's services
7 contract that resulted from the reserve auction process.

8 b. Related services from the operator of the technology
9 platform identified in paragraph "a", which at a minimum shall
10 include all of the following:

11 (1) Evaluation of the qualifications of pharmacy benefits
12 manager bidders.

13 (2) Pharmacy benefits manager reverse auction services to
14 support the department in comparing pricing for the pharmacy
15 benefits manager procurement.

16 (3) Related professional services.

17 5. The department shall not award a contract for the
18 technology platform and technology operator services to a vendor
19 that is a pharmacy benefits manager or to a vendor that is
20 managed by, or a subsidiary or affiliate of, a pharmacy benefits
21 manager.

22 6. The vendor awarded the contract by the department shall
23 not outsource any part of the pharmacy benefits manager
24 reverse auction or any part of the electronic, line-by-line,
25 claim-by-claim review of invoiced pharmacy benefits manager
26 prescription drug claims.

27 7. With technical assistance and support provided by the
28 technology platform operator, the department shall specify the
29 terms of the participant bidding agreement. The terms of the
30 participant bidding agreement shall not be modified except by
31 specific consent of the department.

32 8. a. The technology platform used to conduct the reverse
33 auction shall be repurposed over the duration of the
34 pharmacy benefits manager's services contract as a pharmacy
35 claims adjudication engine to perform electronic, line-by-line,

1 claim-by-claim review of one hundred percent of invoiced pharmacy
2 benefits manager's prescription drug claims, and to identify
3 all deviations from the specific terms of the pharmacy benefits
4 manager's services contract.

5 b. The department shall reconcile the electronically
6 adjudicated pharmacy claims, as described in paragraph "a", with
7 pharmacy benefits manager's invoices on a monthly or quarterly
8 basis to ensure that state payments shall not exceed the terms
9 specified in any pharmacy benefits manager's services contract.

10 9. a. The first pharmacy benefits manager reverse auction
11 shall be completed and the services contract shall be awarded
12 to the winning pharmacy benefits manager with an effective date
13 beginning January 1, 2026. Subsequent contracts must be awarded
14 no later than three months prior to termination or expiration
15 of the current pharmacy benefits manager's services contract
16 for a covered group, such as the state employees benefits
17 group, that includes only active employees and dependents, but
18 does not include retiree participants in a Medicare part D
19 employer group waiver program pursuant to the federal Medicare
20 Prescription Drug, Improvement, and Modernization Act of 2003,
21 Pub. L. No. 108-173.

22 b. In the event an eligible covered group that includes
23 retiree participants in a Medicare part D employer group waiver
24 program pursuant to the federal Medicare Prescription Drug,
25 Improvement, and Modernization Act of 2003, Pub. L. No. 108-173,
26 opts to use the processes and procedures under this section,
27 the relevant pharmacy benefits manager reverse auction shall be
28 completed and the pharmacy benefits manager services contract
29 shall be awarded to the winning pharmacy benefits manager no
30 later than six months prior to termination or expiration of the
31 pharmacy benefits manager's services contract currently covering
32 the retiree employer group waiver program participants.

33 10. The department may perform a market check for providing
34 pharmacy benefits manager services during the term of the
35 current pharmacy benefits manager's services contract in order to

1 ensure continuing competitiveness of incumbent prescription drug
2 pricing during the term of a pharmacy benefits manager's services
3 contract.

4 11. a. Three years after the first services contract is
5 awarded to a pharmacy benefits manager pursuant to subsection
6 9, paragraph "a", any self-funded public sector health plan
7 shall have the option to conduct a pharmacy benefits manager
8 reverse auction for the specific self-funded public sector health
9 plan utilizing the technology platform and technology operator
10 services selected by the department under this section.

11 b. This section shall not apply to nonprofit, nongovernmental
12 health maintenance organizations with respect to managed care
13 plans that provide a majority of covered health care services
14 through a single contracted medical group.

15 c. Any self-funded public sector health plans that opt to
16 conduct a pharmacy benefits manager reverse auction shall retain
17 full autonomy over determination of the individual health plan's
18 respective prescription drug formularies and pharmacy benefit
19 designs, and shall not be required to adopt a common prescription
20 drug formulary or common prescription pharmacy benefit design.

21 12. Notwithstanding subsection 3, the department may elect to
22 vacate the outcome of a pharmacy benefits manager reverse auction
23 if the lowest-cost pharmacy benefits manager's bid is not less
24 than the projected cost trend for the incumbent pharmacy benefits
25 manager's services contract as verified by the department. The
26 department may utilize a consultant to conduct the verification.
27 The cost trend shall be projected by the technology platform
28 operator using industry-recognized data sources and shall be
29 subject to review and approval by the department in advance of
30 the pharmacy benefits manager reverse auction. Methodology shall
31 be applied consistently in projection of cost and savings to the
32 state with regard to the incumbent pharmacy benefits manager's
33 services contract and competing pharmacy benefits manager reverse
34 auction bids.

35 Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate

1 importance, takes effect upon enactment.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with
4 the explanation's substance by the members of the general assembly.

5 This bill relates to pharmacy benefits manager reverse
6 auctions and group insurance for public employees.

7 "Pharmacy benefits manager reverse auction" (reverse auction)
8 is defined in the bill as a transparent and competitive bidding
9 process conducted online that starts with an opening round of
10 bids and allows qualified pharmacy benefits manager (PBM) bidders
11 to counter-offer a lower price for as many rounds of bidding
12 as determined by the department of administrative services (DAS)
13 for a multiple health plan prescription drug purchasing group.
14 "Price" is defined as the projected cost of a PBM's bid to
15 provide prescription drug benefits to allow direct comparison of
16 the comparably calculated costs of competing PBMs' proposals over
17 the duration of the PBM's services contract.

18 Consistent with Code section 8A.311, and notwithstanding any
19 other law to the contrary, the department shall enter into a
20 contract for the services of a PBM for the administration of
21 benefits of self-funded public sector health plans. "Self-funded
22 public sector health plans" is defined as any group benefit plan
23 under Code chapter 509A. Prior to November 1, 2025, DAS shall
24 procure a technology platform with capabilities to conducting a
25 PBM reverse auction, and related services from the operator of
26 the technology platform. The requirements for the technology
27 platform and for the related services are detailed in the bill.

28 DAS is prohibited from awarding a contract for either the
29 technology platform or the technology operator services to a
30 vendor that is a PBM or a vendor that is managed by, or
31 a subsidiary or affiliate of, a PBM. The vendor awarded the
32 contract by DAS shall not outsource any part of the PBM reverse
33 auction or of the electronic, line-by-line, claim-by-claim review
34 of invoiced PBM prescription drug claims. With technical
35 assistance and support provided by the technology platform

1 operator, DAS shall specify the terms of the participant bidding
2 agreement.

3 The technology platform used to conduct the reverse auction
4 shall be repurposed over the duration of the PBM's services
5 contract as a pharmacy claims adjudication engine to perform
6 electronic, line-by-line, claim-by-claim review of 100 percent of
7 invoiced PBM drug claims, and to identify all deviations from the
8 specific terms of the PBM's services contract.

9 DAS is required to reconcile the electronically adjudicated
10 pharmacy claims with PBM invoices on a monthly or quarterly
11 basis to ensure that state payments shall not exceed the terms
12 specified in any PBM's services contract.

13 The first PBM reverse auction shall be completed and the PBM
14 services contract shall be awarded to the winning PBM with an
15 effective date beginning January 1, 2026. Subsequent services
16 contracts must be awarded no later than three months prior to
17 termination or expiration of the current PBM's services contract
18 for a covered group, such as the state employees benefits group,
19 that includes only active employees and dependents, but does not
20 include retiree participants in a Medicare part D employer group
21 waiver program (Medicare employer group) pursuant to the federal
22 Medicare Prescription Drug, Improvement, and Modernization Act of
23 2003 (Medicare Act). If an eligible covered group that includes
24 retiree participants in a Medicare employer group pursuant to the
25 Medicare Act opts to use the processes and procedures under the
26 bill, the relevant PBM reverse auction shall be completed and
27 the PBM services contract shall be awarded to the winning PBM no
28 later than six months prior to termination or expiration of the
29 current PBM's services contract covering the Medicare employer
30 group.

31 DAS may perform a market check for providing PBM services
32 during the term of the current PBM's services contract. "Market
33 check" is defined in the bill.

34 Three years after the first services contract is awarded to a
35 PBM, self-funded public sector health plans shall have the option

1 to conduct a PBM reverse auction. Any self-funded public sector
2 health plans that opt to conduct a PBM reverse auction shall
3 retain full autonomy as detailed in the bill.

4 The bill shall not apply to nonprofit, nongovernmental health
5 maintenance organizations with respect to managed care plans that
6 provide a majority of covered health care services through a
7 single contracted medical group.

8 DAS may elect to vacate the outcome of a PBM reverse auction
9 if the lowest-cost PBM bid is not less than the projected cost
10 trend for the incumbent PBM contract as verified by DAS or by a
11 consultant retained by DAS.

12 The bill takes effect upon enactment.

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