

**Senate Study Bill 1017 - Introduced**

SENATE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON HEALTH  
AND HUMAN SERVICES BILL BY  
CHAIRPERSON KLIMESH)

**A BILL FOR**

- 1 An Act relating to pharmacy benefits manager reverse auctions and
- 2 group insurance for public employees.
- 3 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 an  
21 automated, transparent, and competitive bidding process conducted  
22 online that starts with an opening round of bids and allows  
23 qualified pharmacy benefits manager bidders to counteroffer a  
24 lower price for as many rounds of bidding as determined by  
25 the department for a multiple health plan prescription drug  
26 purchasing group.

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

32 f. "Real-time" means within no more than one hour.

33 g. "Self-funded private sector health plan" means any  
34 self-funded private sector employer or multi-employer health  
35 plan.

1     *h.* "Self-funded public sector health plan" means any group  
2 benefit plan under chapter 509A.

3     3. Consistent with section 8A.311, and notwithstanding any  
4 other law to the contrary, the department shall enter into a  
5 contract for the services of a pharmacy benefits manager for the  
6 administration of benefits of self-funded public sector health  
7 plans in compliance with this section.

8     4. Prior to November 1, 2025, the department shall  
9 procure, through solicitation of proposals from qualified  
10 professional services vendors, all of the following based on  
11 price, capabilities, and other factors deemed relevant by the  
12 department:

13     *a.* A technology platform with the capabilities to conduct a  
14 pharmacy benefits manager reverse auction. The department shall  
15 ensure that the technology platform possesses, at a minimum, the  
16 capacity to do all of the following:

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

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

34     (3) Simultaneously evaluate in real-time diverse and complex  
35 multiple proposals from full-service pharmacy benefits managers,

1 including average wholesale price, guaranteed net cost, and  
2 national average drug acquisition cost pricing models, as well  
3 as proposals from pharmacy benefits administrators and specialty  
4 drug and rebate carve-out service providers.

5 (4) Produce an automated report and analysis of pharmacy  
6 benefits managers' bids, including ranking of pharmacy benefits  
7 managers' bids based on comparative costs and qualitative aspects  
8 of the bids in real-time following the close of each round of  
9 reverse auction bidding.

10 (5) Perform real-time, electronic, line-by-line,  
11 claim-by-claim review of one hundred percent of invoiced pharmacy  
12 benefits managers' prescription drug claims, and identify all  
13 deviations from the specific terms of the pharmacy benefits  
14 manager's services contract that resulted from the reserve  
15 auction process.

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

19 (1) Evaluation of the qualifications of pharmacy benefits  
20 manager bidders.

21 (2) Pharmacy benefits manager reverse auction services to  
22 support the department in comparing pricing for the pharmacy  
23 benefits manager procurement.

24 (3) Related professional services.

25 5. The department shall not award a contract for the  
26 technology platform and technology operator services to a vendor  
27 that is a pharmacy benefits manager or to a vendor that is  
28 managed by, or a subsidiary or affiliate of, a pharmacy benefits  
29 manager.

30 6. The vendor awarded the contract by the department shall  
31 not outsource any part of the pharmacy benefits manager reverse  
32 auction or any part of the automated, real-time, electronic,  
33 line-by-line, claim-by-claim review of invoiced pharmacy benefits  
34 manager prescription drug claims.

35 7. With technical assistance and support provided by the

1 technology platform operator, the department shall specify the  
2 terms of the participant bidding agreement. The terms of the  
3 participant bidding agreement shall not be modified except by  
4 specific consent of the department.

5 8. a. The technology platform used to conduct the reverse  
6 auction shall be repurposed over the duration of the pharmacy  
7 benefits manager's services contract as an automated pharmacy  
8 claims adjudication engine to perform real-time, electronic,  
9 line-by-line, claim-by-claim review of one hundred percent of  
10 invoiced pharmacy benefits manager's prescription drug claims,  
11 and to identify all deviations from the specific terms of the  
12 pharmacy benefits manager's services contract.

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

18 c. If following state payment to the pharmacy benefits  
19 manager on the basis of the reconciliation under paragraph "b"  
20 the pharmacy benefits manager asserts that the department paid  
21 less than the amount owed, the pharmacy benefits manager may  
22 seek resolution through a mutually acceptable dispute resolution  
23 process that the parties agreed to in the terms of the services  
24 contract under subsection 9, paragraph "a".

25 9. a. The first pharmacy benefits manager reverse auction  
26 shall be completed and the services contract shall be awarded  
27 to the winning pharmacy benefits manager with an effective date  
28 beginning July 1, 2026. Subsequent contracts must be awarded  
29 no later than three months prior to termination or expiration  
30 of the current pharmacy benefits manager's services contract  
31 for a covered group, such as the state employees benefits  
32 group, that includes only active employees and dependents, but  
33 does not include retiree participants in a Medicare part D  
34 employer group waiver program pursuant to the federal Medicare  
35 Prescription Drug, Improvement, and Modernization Act of 2003,

1 Pub. L. No. 108-173.

2     b. In the event an eligible covered group that includes  
3 retiree participants in a Medicare part D employer group waiver  
4 program pursuant to the federal Medicare Prescription Drug,  
5 Improvement, and Modernization Act of 2003, Pub. L. No. 108-173,  
6 opts to use the processes and procedures under this section,  
7 the relevant pharmacy benefits manager reverse auction shall be  
8 completed and the pharmacy benefits manager services contract  
9 shall be awarded to the winning pharmacy benefits manager no  
10 later than six months prior to termination or expiration of the  
11 pharmacy benefits manager's services contract currently covering  
12 the retiree employer group waiver program participants.

13     10. The department may perform a market check for providing  
14 pharmacy benefits manager services during the term of the  
15 current pharmacy benefits manager's services contract in order to  
16 ensure continuing competitiveness of incumbent prescription drug  
17 pricing during the term of a pharmacy benefits manager's services  
18 contract.

19     11. To ensure that the department does not incur additional  
20 expenditures associated with the pharmacy benefits manager  
21 reverse auction, ongoing electronic review and validation of  
22 pharmacy benefits managers' claims, and periodic market checks,  
23 the department shall implement a no-pay option that obligates  
24 the winning pharmacy benefits manager, rather than the state, to  
25 pay the cost of the technology platform and related technology  
26 platform operator services by assessing the pharmacy benefits  
27 manager a per-prescription fee in an amount agreed to by  
28 the department and the technology operator, and requiring the  
29 pharmacy benefits manager to pay the fees to the technology  
30 operator over the duration of the pharmacy benefits manager's  
31 services contract. The obligation of the winning pharmacy  
32 benefits manager to pay the per-prescription fee shall be  
33 incorporated as a term of the participant bidding agreement and  
34 the pharmacy benefits manager's services contract awarded to the  
35 pharmacy benefits manager reverse auction winner.

1 12. a. This section shall apply to group benefit plans  
2 under chapter 509A. This section shall not apply to nonprofit,  
3 nongovernmental health maintenance organizations with respect to  
4 managed care plans that provide a majority of covered health care  
5 services through a single contracted medical group.

6 b. (1) Three years after the first service contract is  
7 awarded to a pharmacy benefits manager pursuant to subsection  
8 9, paragraph "a", any self-funded private sector health plan  
9 with substantial participation by Iowa employees and the  
10 employees' dependents shall have the option to conduct a pharmacy  
11 benefits manager reverse auction for the specific self-funded  
12 private sector health plan utilizing the technology platform and  
13 technology operator services selected by the department under  
14 this section. The department may charge the self-funded private  
15 sector health plan a fee, as established by the department by  
16 rule, sufficient to cover any incremental cost associated with  
17 the pharmacy benefits manager reverse auction.

18 (2) A pharmacy benefits manager selected by a self-funded  
19 private sector health plan as a result of a pharmacy benefits  
20 manager reverse auction conducted pursuant to subparagraph (1)  
21 shall be assessed a per-prescription fee, pursuant to subsection  
22 11, in an amount determined by the department by rule.

23 c. Any self-funded public sector health plans or self-funded  
24 private sector health plans that opt to conduct a pharmacy  
25 benefits manager reverse auction shall retain full autonomy  
26 over determination of the individual health plan's respective  
27 prescription drug formularies and pharmacy benefit designs, and  
28 shall not be required to adopt a common prescription drug  
29 formulary or common prescription pharmacy benefit design.

30 d. Any pharmacy benefits manager providing services to the  
31 department, to a self-funded public sector health plan, or  
32 to a self-funded private sector health plan as described in  
33 this section shall provide the department, each participating  
34 self-funded public sector health plan, and each participating  
35 self-funded private sector health plan access to complete

1 pharmacy claims data necessary to conduct the pharmacy  
2 benefits manager reverse auction and to carry out applicable  
3 administrative and management duties.

4 13. Notwithstanding subsection 3, the department may elect to  
5 vacate the outcome of a pharmacy benefits manager reverse auction  
6 if the lowest-cost pharmacy benefits manager's bid is not less  
7 than the projected cost trend for the incumbent pharmacy benefits  
8 manager's services contract as verified by the department. The  
9 department may utilize a consultant to conduct the verification.  
10 The cost trend shall be projected by the technology platform  
11 operator using industry-recognized data sources and shall be  
12 subject to review and approval by the department in advance of  
13 the pharmacy benefits manager reverse auction. Methodology shall  
14 be applied consistently in projection of cost and savings to the  
15 state with regard to the incumbent pharmacy benefits manager's  
16 services contract and competing pharmacy benefits manager reverse  
17 auction bids.

18 EXPLANATION

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

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

23 "Pharmacy benefits manager reverse auction" (reverse auction)  
24 is defined in the bill as an automated, transparent, and  
25 competitive bidding process conducted online that starts with  
26 an opening round of bids and allows qualified pharmacy benefits  
27 manager (PBM) bidders to counter-offer a lower price for  
28 as many rounds of bidding as determined by the department  
29 of administrative services (DAS) for a multiple health plan  
30 prescription drug purchasing group. "Price" is defined as the  
31 projected cost of a PBM's bid to provide prescription drug  
32 benefits to allow direct comparison of the comparably calculated  
33 costs of competing PBMs' proposals over the duration of the PBM's  
34 services contract.

35 Consistent with Code section 8A.311, and notwithstanding any

1 other law to the contrary, the department shall enter into a  
2 contract for the services of a PBM for the administration of  
3 benefits of self-funded public sector health plans. "Self-funded  
4 public sector health plans" is defined as any group benefit  
5 plan under Code chapter 509A. Prior to November 1, 2025,  
6 DAS shall procure, through solicitation of proposals from  
7 qualified professional services vendors, a technology platform  
8 with capabilities to conducting a PBM reverse auction, and  
9 related services from the operator of the technology platform.  
10 The requirements for the technology platform and for the related  
11 services are detailed in the bill.

12 DAS is prohibited from awarding a contract for either the  
13 technology platform or the technology operator services to a  
14 vendor that is a PBM or a vendor that is managed by, or  
15 a subsidiary or affiliate of, a PBM. The vendor awarded the  
16 contract by DAS shall not outsource any part of the PBM reverse  
17 auction or of the automated, real-time, electronic, line-by-line,  
18 claim-by-claim review of invoiced PBM prescription drug claims.  
19 With technical assistance and support provided by the technology  
20 platform operator, DAS shall specify the terms of the participant  
21 bidding agreement.

22 The technology platform used to conduct the reverse auction  
23 shall be repurposed over the duration of the PBM's services  
24 contract as an automated pharmacy claims adjudication engine  
25 to perform real-time, electronic, line-by-line, claim-by-claim  
26 review of 100 percent of invoiced PBM drug claims, and to  
27 identify all deviations from the specific terms of the PBM's  
28 services contract.

29 DAS is required to reconcile the electronically adjudicated  
30 pharmacy claims with PBM invoices on a monthly or quarterly  
31 basis to ensure that state payments shall not exceed the terms  
32 specified in any PBM's services contract. If, following state  
33 payment to the PBM on the basis of the reconciliation, the PBM  
34 asserts that DAS has paid less than the amount owed, the PBM may  
35 seek resolution through a mutually acceptable dispute resolution

1 process as agreed to in the terms of the services contract  
2 between the parties.

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

21 DAS may perform a market check for providing PBM services  
22 during the term of the current PBM's services contract.  
23 "Market check" is defined in the bill. DAS shall implement a  
24 no-pay option that obligates the winning PBM, rather than the  
25 state, to pay the cost of the technology platform and related  
26 technology platform operator services by assessing the PBM a  
27 per-prescription fee as detailed in the bill.

28 The bill shall apply to group benefit plans under Code chapter  
29 509A. The bill shall not apply to nonprofit, nongovernmental  
30 health maintenance organizations with respect to managed care  
31 plans that provide a majority of covered health care services  
32 through a single contracted medical group.

33 After the first PBM reverse auction, self-funded private  
34 sector health plans with substantial participation by Iowa  
35 employees and their dependents shall have the option to

1 participate in a joint purchasing pool with state employees for  
2 subsequent PBM reverse auctions. Any self-funded public sector  
3 health plans or self-funded private sector health plans that opt  
4 to participate with the state employees group benefits plan in  
5 a joint PBM reverse auction purchasing pool shall retain full  
6 autonomy as detailed in the bill.

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

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