



IOWA HOUSE DEMOCRATS

BILL & AMENDMENT SUMMARY

Pharmacy Benefit Managers HF 489

Status of Bill: House Calendar

Committee: Commerce (23-0); Senate (49-0)

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Lead Democrat: Rep. Forbes

Floor Manager: Rep. Lundgren

Background

Pharmacy Benefit Managers (PBM) is a health care company that contracts with insurers, employers, unions, and government programs to administer health care benefit's prescription drugs. During 2018, Iowa State employee's group plan had 696,200 prescriptions filled for \$84.9 million. The State paid 88.1% of the cost and plan members paid 11.9% of the cost. 99.5% of plan members chose to substitute a generic medication for a brand-name medication if a generic option was available. Specialty medications accounted for 1.1% of total prescriptions but were responsible for 41% of the prescriptions' total gross cost.

Bill Summary

This bill would create two new Code chapters relating to PBMs and health carrier cost reduction:

The first new Code section (510C) would require pharmacy benefit managers to annually report to the Insurance Commissioner all rebate information and fees received from a health carrier. The Insurance Commissioner would be required to post nonconfidential information received to a publicly accessible website.

The second new Code section (514M) would require health carriers to reduce cost sharing requirements for covered prescription drugs using a statutory formula. The Insurance Commissioner would be required to adopt rules administering the new Code chapter and would have enforcement authority.

Fiscal Impact

LSA estimates there will be an estimated increased cost of \$2.0 million to the State employee group plan as costs are shifted from the member to the group. LSA also anticipates the State employee group plan will incur an additional \$4.0 million to \$8.0 million due to employees choosing brand-name prescription drugs rather than generic options. The total cost increase to the State employee group plan would be \$6 million to \$10 million. Below is a table that reflects the estimated impact to State and employee premiums (Table 1).

The Insurance Division anticipates at least 1.0 additional FTE position for an additional Compliance officer will be needed for monitoring and enforcement purposes. This additional FTE position would cost \$110,000 for salary and benefits and \$5,000 in additional overhead to meet the position's responsibility. The Division also anticipates less than \$100,000 for programming and electronic filing system creation costs.

Table 1 — HF 489

Estimated Cost Change to State Employee Group Plan Premiums

	Current Total Monthly Premium	Proposed Total Monthly Premium	Current Monthly Employee Share	Proposed Monthly Employee Share	Percent Increase to Employee Share
Iowa Choice					
Single	\$699.00	\$723.47	\$39.26	\$63.73	62.30%
Family	\$1,642.00	\$1,699.47	\$147.66	\$205.13	38.90%
National Choice					
Single	\$769.00	\$795.92	\$109.26	\$136.18	24.60%
Family	\$1,806.00	\$1,869.21	\$311.66	\$374.87	20.30%

Amendment Summary

H-1210 to HF 489 (Best): This is a conforming amendment to SF 563 that strikes language relating to a new Code chapter (514M) that would require health carriers to reduce cost sharing for insured individuals' prescription drugs with a statutory formula. This amendment also removes language requiring a PBM to make public the health carrier's formulary and notice of change or exclusion of prescription drug coverage.

Ver Schuer, Alison [LEGIS]\G:\Caucus Staff\AVS\Commerce\2019 Session\HF 489 - PBM Bill Summary.docx\April 15, 2019\10:55 AM