

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB 62 attempts to tighten regulation of Pharmacy Benefit Managers (PBMs) by adding conflict of interest as a justification for suspending, revoking or failing to renew a PBM license, defining "conflict of interest" to include accepting percentage rebates, and making failure to comply with an order by the Superintendent of Insurance to cease operating an unfair or deceptive trade practice.

FISCAL IMPLICATIONS

Better regulation of PBMs might help contain upward pressure on prescription costs, which could, in turn reduce costs for Medicaid and insurance for public employees.

SIGNIFICANT ISSUES

Pharmacy Benefit Managers are companies that administer prescription drug benefits for health insurance plans. PBMs manage the drug benefits for over 95 percent of Americans with prescription drug coverage, including enrollees in Medicaid, Medicare D and almost all group plans. PBMs purport to generate cost savings for health plans and enrollees by negotiating drug prices with manufacturers and managing formularies.

PBMs negotiate rebates from drug manufacturers in exchange for giving the manufacturers' drugs preferred status on a health plan's formulary. PBMs purport to return these rebates to plans and patients in the form of lower costs but rebates paid by manufacturers to PBMs are typically a percentage of a drug's list price. This creates a perverse incentive that may put upward pressure on drug prices. The desire to eliminate the conflict of interest inherent to this component of the PBM business model is one apparent motivation for legislation like SB 62.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS