

SB 439 STAFF MEASURE SUMMARY

Senate Committee On Health Care

Prepared By: Brian Nieuburt, LPRO Analyst

Meeting Dates: 2/22

WHAT THE MEASURE DOES:

Requires insurers to reduce enrollee cost sharing for prescription drugs by 85 percent of rebates received by insurer. Defines key terms, including "defined cost share," "insurer," "price concession," "price protection rebate," and "rebate." Specifies that rebate information is trade secret and exempt from public records disclosure. Allows the Department of Consumer and Business Services to issue civil penalties of up to one million dollars for violations.

REVENUE: May have revenue impact, but no statement yet issued.

FISCAL: May have fiscal impact, but no statement yet issued.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Health insurers often utilize pharmacy benefit managers (PBMs) to develop and maintain prescription drug formularies and negotiate drug prices with manufacturers. In these price negotiations, manufacturers often offer rebates off the to PBMs off the "list price" of high-cost brand-name prescription drugs in competitive therapeutic classes as a way to incentivize inclusion of the drug on the formulary and to obtain preferred "tier" placement. PBMs often share negotiated rebates with health insurers which can help reduce the cost of prescription drug benefits for enrollees. Depending on the drug price, negotiated rebate, and enrollee cost sharing, it is possible for a health insurer's retained portion of drug rebate to exceed its liability.

Senate Bill 439 requires insurers to reduce enrollee cost sharing for prescription drugs by 85 percent of rebates received by insurer.