

HOUSE BILL REPORT

HB 2011

As Reported by House Committee On:

Health Care

Title: An act relating to state agency contracts with pharmaceutical benefit management companies.

Brief Description: Establishing requirements for state agency contracts with pharmaceutical benefit management companies.

Sponsors: Representatives Schual-Berke, Campbell, Cody, Morrell, Benson, Edwards and Chase.

Brief History:

Committee Activity:

Health Care: 2/25/03, 3/4/03 [DPS].

Brief Summary of Substitute Bill

- Requires contracts between the Health Care Authority or any other agency administering state purchased health care programs and a pharmacy benefit manager (PBM) to include full disclosure of agreements between pharmacy benefit managers and pharmaceutical manufacturers.

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Morrell, Vice Chair; Campbell, Clibborn, Darneille, Moeller and Schual-Berke.

Minority Report: Without recommendation. Signed by 5 members: Representatives Pflug, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Alexander, Benson and Skinner.

Staff: Dave Knutson (786-7146).

Background:

Pharmacy benefit managers are organizations that provide a broad array of services

related to the management and administration of prescription drug services. Services can include claims processing, development of preferred drug lists, prescription drug utilization review activities, and the negotiation of rebates or discounts from prescription drug manufacturers.

On February 14, 2003, the Health Care Authority, acting on behalf of state purchased health care programs, issued a Request For Proposal (RFP) to obtain proposals to provide PBM services for eligible Medicaid clients through the Department of Social and Health Services, public employees and retirees under the Uniform Medical Plan through the Health Care Authority, and the Workers' Compensation Program for injured workers through the Department of Labor and Industries. The period of the contract is from January 1, 2004 to December 31, 2006. Implementation activities will commence on July 1, 2003, and end on December 31, 2003.

The RFP requires the successful bidder to remit 100 percent of the manufacturer's rebates generated by the participating agencies claims. It also requires the successful bidder to allow the participating agencies to review and audit all rebate contracts with manufacturers. In addition, detailed rebate payment reports must be provided to participating state agencies on a monthly basis. Also, the successful bidder must administer and support the state-sponsored preferred drug list for participating state agencies in its rebate invoicing and management functions.

Summary of Substitute Bill:

Any contract between the Administrator of the Health Care Authority or any other state agency administering a state purchased health care program and a pharmacy benefit manager must disclose any agreements between the PBM and the pharmaceutical manufacturer. The contract must also include a statement that the PBM is capable of administering and agrees to abide by a preferred drug list developed for use by state purchased health care programs. Proprietary information submitted by a PBM will be exempt from public disclosure.

Substitute Bill Compared to Original Bill:

The definitions of PBM and pharmaceutical manufacturer are modified to exclude staff model health maintenance organizations (HMO). Proprietary information submitted by a PBM will be exempt from public disclosure.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The information required from PBMs is needed to ensure transparency in the dealings between pharmaceutical manufacturers and PBMs.

Testimony Against: Staff model HMOs perform many of these functions internally for their own enrollees. They should not be subject to this legislation. Proprietary information should not be subject to open public records requirements.

Testified: (In support) Representative Schual-Berke, prime sponsor.

(Concerns) Charlie Brown, Medco Health Solutions; Ken Bertrand, Group Health; Nancee Wildermuth, Regence Blue Shield and Pacificare; and Rick Wickman, Premera.