

S.F. No. 2178 – Pharmacy benefit manager contract procurement requirement – as amended by the A-2 amendment

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S.F. No. 2178 requires the commissioner of management and budget to use a reverse auction process to select a pharmacy benefit manager to administrate the prescription drug benefits provided to state employees through the State Employees Group Insurance Program (SEGIP). The auction would be facilitated by a technology platform hosted by a vendor selected through a competitive bidding process.

Section 1 [Procurement of a pharmacy benefit manager and a platform technology vendor]

Subdivision 1 [Definitions] defines terms: market check, pharmacy benefit management services, pharmacy benefit manager, price, reverse auction, and SEGIP.

Subd. 2 [Purpose] describes the purpose of this section as being to optimize prescription drug savings in SEGIP through specified actions.

Subd. 3 [Procurement of a pharmacy benefit manager] requires the commissioner of management and budget to procure a contract for the services of a pharmacy benefit manager to administer the prescription drug benefit and pharmacy benefit management services for SEGIP participants, beginning January 1, 2023. Requires the commissioner to conduct a reverse auction to select the pharmacy benefit manager.

The commissioner must specify the terms of agreement that all bidders must accept, including specified items. To determine the specified terms, the commissioner must consult with the technology platform vendor and consider recommendations by the Drug Formulary Committee.

Requires a pharmacy benefit manager who submits a bid to provide the commissioner access to pharmacy claims data necessary to conduct the reverse action and for administrative and management duties. Precludes a pharmacy benefit manager from modifying the terms of a contract without the approval of the commissioner.

The contract between the commissioner and the pharmacy benefit manager who is selected to provide services may provide for assessment of a per-prescription fee to be paid by the pharmacy benefit manager to the vendor for the technology platform and associated services used for the auction.

The commissioner must perform annual market checks during the contract on pharmacy benefit manager services. The market check may include evaluation of the effect of alternative drug pricing metrics, such as the national average drug acquisition cost and average wholesale price, on the cost of prescription drugs and savings to the state.

The commissioner must make regular, periodic payments of invoices on a schedule specified in the contract, based on the automated adjudication of invoiced claims using the technology platform to validate that claims payments comply with the terms of the contract.

Subd. 4 [Technology platform vendor] requires the commissioner to select a vendor for a technology platform and associated professional services, through a competitive bidding process, at least three months before the reverse auction process is scheduled to be completed.

The platform must evaluate the qualifications of prospective pharmacy benefit manager bidders, automatically adjudicate prescription drug claims, and collect data on pharmacy reimbursement.

Specifies functional requirements of the platform, including: host and conduct an online automated reverse auction; automatically reprice proposals to enable comparisons of bids; simultaneously evaluate proposals from pharmacy benefit managers on specified metrics within one hour; analyze and rank bids within one hour of the close of a round of bidding; after the auction, review all invoiced claims within one hour of receipt that allows for an online comparison of pharmacy benefit manager invoices, and identifying deviations from terms of services contract resulting from the reverse auction.

Precludes the commissioner from awarding the platform technology vendor contract to a pharmacy benefit manager, a subsidiary or affiliate of a pharmacy benefit manager, or a vendor that is managed by a pharmacy benefit manager or that received remuneration from a pharmacy benefit manager for aggregating clients into a contractual relationship with a pharmacy benefit manager.

Precludes the vendor from subcontracting the reverse auction process or the after-auction review of claims.