



Senate Fiscal Agency
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House Bill 4348 (Substitute S-1 as reported)
Sponsor: Representative Julie Calley
House Committee: Health Policy
Senate Committee: Health Policy and Human Services

CONTENT

The bill would enact the "Pharmacy Benefit Manager Licensure and Regulation Act" to do the following:

- Provide for the licensure of pharmacy benefit managers (PBMs) in Michigan.
- Require a person seeking licensure as a PBM to submit to the Director of the Department of Insurance and Financial Services (DIFS) an application containing specified information.
- Allow the Director to refuse to issue a license if he or she determined that the PBM was not financially viable or that the PBM or any individual responsible for the conduct of the PBM's affairs had had a PBM certificate of authority or license denied or revoked for cause in another state.
- Allow the Director to deny, suspend, or revoke a PBM license under certain circumstances.
- Require an applicant seeking to renew a PBM license to submit to the Director a renewal application, a renewal schedule and fee, and a retail PBM network adequacy report.
- Prescribe the duties and responsibilities of a PBM licensed in the State and prescribe certain prohibited actions.
- Require a PBM to provide a reasonably adequate and accessible retail PBM network for the provision of drugs for a health plan that would have to provide for convenient enrollee access to pharmacies within a reasonable distance from a enrollee's residence, and allow a PBM to apply for a waiver if it were unable to meet the network adequacy requirements.
- Prohibit a PBM from conducting spread pricing in the State.
- Prohibit a PBM from charging a pharmacy or pharmacist a fee to process a claim electronically.
- Require a PBM to file an annual transparency report with the Director that contained specified information for the preceding calendar year.
- Require the Director to prepare an annual report based on the information he or she received under the Act and submit it to the Legislature.
- Require a PBM to take certain actions for each drug that the PBM established a minimum allowable cost, and require the PBM to ensure that certain conditions were met before the PBM placed or continued a drug on a maximum allowable cost list.
- Allow a carrier or a PBM to conduct an audit of a pharmacy in Michigan and prescribe the process for conducting an audit.
- Prescribe certain record retention procedures.
- Require the Director to promulgate rules that were necessary or required to implement the Act, which would have to include fines and suspension, restriction, and revocation of licensure.

The bill would take effect on January 1, 2024.

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill would have a significant fiscal impact on State government and no fiscal impact on local units of government. The Department of Insurance and Financial Services would be required to implement and administer the PBM licensure program. The Department estimates that 3.0 additional FTEs would be required to perform this work. The standard estimate for the annual cost of an FTE is approximately \$110,000, but exact costs vary. Two FTEs would be Departmental Analyst positions while the remaining 1.0 FTE would be a Departmental Technician. Cost estimates for information technology required by the bill currently are not available.

It is unknown if revenue from the program would be sufficient to fully offset the additional costs to the Department. The bill would allow many of fines and fees associated with the PBM program to be set through administrative rules. The costs for promulgation of these rules would be covered by existing appropriations.

Date Completed: 2-10-21

Fiscal Analyst: Elizabeth Raczkowski