



## **S.F. No. 1574 – Commissioner of human services selection of a state pharmacy benefit manager through procurement requirement provision, commissioner of human services entrance into a master contract with the state pharmacy benefit manager requirement provision, and program authority and eligibility requirements specification provision**

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### Bill Overview

**S.F. 1574** requires the commissioner of human services to select a single state pharmacy benefit manager (PBM) through a competitive procurement process and to enter into a master contract with that PBM. Under this bill, all pharmacy claims for medical assistance enrollees served under the managed care delivery system must be processed by the state PBM. The bill also establishes reporting and disclosure requirements to ensure transparency of prescription drug costs and payments, provides the commissioner with authority to approve or disapprove managed care prescription drug coverage and reimbursement structures, and requires the commissioner to seek any necessary federal approval to implement these reforms.

### Section Summaries

**Section 1 (amends Minn. Stat. § 256B.69, subd. 6d; Prescription drugs)** This section clarifies that any contracts the commissioner enters into with managed care plans for medical assistance must conform with the requirements of section 256B.696 (a new section of law added in Section 2 of the bill).

### **Section 2 (adds Minn. Stat. § 256B.696; Prescription Drugs; State Pharmacy Benefit Manager)**

**Subd. 1. Definitions.** This subdivision defines key terms used in this section, including “managed care plans,” “managed care enrollees,” and “state pharmacy benefit manager.”

**Subd. 2. Procurement process.** This subdivision requires the commissioner of human services to select a single pharmacy benefit manager via a competitive procurement process. It

mandates that the commissioner enter into a master contract with the selected PBM, which must prohibit the PBM from requiring enrollees to obtain specialty drugs from a pharmacy owned or affiliated with the PBM. This subdivision further requires each applicant for the state PBM contract to disclose potential conflicts of interest and certain contractual or financial relationships.

**Subd. 3. Drug coverage.** This subdivision requires the commissioner to approve or disapprove all managed care plan utilization review requirements for prescription drugs, as well as reimbursement rates and fees. The single PBM selected is responsible for processing all pharmacy claims under the medical assistance managed care program. Accordingly, this subdivision requires managed care plans to exclusively use the single PBM for these services. This subdivision further directs the commissioner to seek to make prescription drugs available at the lowest cost to MA managed care enrollees and increase transparency in the program when the commissioner is administering this new section of law.

**Subd. 4. Prescription drug disclosures.** This subdivision requires the state PBM to disclose to the commissioner, upon request, all sources of payment it receives for prescription drugs provided under managed care. It also directs managed care plans to report administrative costs for pharmacy services, and mandates quarterly reporting by the state PBM to the commissioner with detailed information on negotiated prices, rebates, payments to pharmacies, and other data required by the commissioner.

**Subd. 5. Program authority.** This subdivision authorizes the commissioner, in consultation with the Formulary Committee, to develop a preferred drug list, negotiate prices in place of the state PBM, and manage a drug formulary for managed care enrollees. It further allows the commissioner to contract with other entities to perform these duties.

**Subd. 6. Pharmacies.** This subdivision permits the commissioner to review contracts between the state PBM and pharmacies. The commissioner may amend contract terms that do not comply with this section or the master contract between the commissioner and the state PBM.

**Subd. 7. Federal approval.** This subdivision requires the commissioner to seek any necessary federal approvals to implement this section.

**Effective date.** This provision states that this section is effective January 1, 2027, or upon federal approval, whichever is later.



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