



## **S.F. No. 1877 (1<sup>st</sup> Engrossment) – Pharmacy benefit managers and health insurers usage of prescription drug rebates and other compensation requirement to benefit covered persons provision**

**Author:** Senator Alice Mann

**Prepared by:** Nolan Hudalla, Senate Counsel (nolan.hudalla@mnsenate.gov)

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### *Bill Overview*

**S.F. 1877** requires pharmacy benefit managers (PBMs) and health insurers to remit all compensation from a prescription drug’s manufacturer to benefit a covered person. The bill specifies that this compensation must be used at the point of sale to reduce a covered person’s out-of-pocket costs, or to offset future premiums or costs for covered persons. The bill also imposes annual reporting requirements on PBMs and health insurers to demonstrate compliance to the commissioner of commerce.

### *Section Summaries*

#### **Section 1 (adds 62W.16; Responsibility to Use Compensation for Benefit of Covered Persons)**

**Subd. 1. Compensation used to reduce point-of-sale costs.** This subdivision requires a pharmacy benefit manager (PBM) or health carrier to remit all direct or indirect compensation (including rebates, discounts, or other financial benefits) received from a drug’s manufacturer to the covered person at the point of sale, thereby reducing out-of-pocket costs. If the covered person’s cost-sharing for the prescription drug is already lower than it would be after applying the compensation, the PBM or health carrier may retain the compensation but must use it to offset future premiums or costs for covered persons. This subdivision expressly applies the new mandate to the state employee group insurance program.

**Subd. 2. Definitions.** This subdivision defines key terms used in this section, including “compensation,” which encompasses any financial benefit from a drug manufacturer such as rebates, credits, or fees. The definition for “cost-sharing obligation,” means a covered person’s co-payment or coinsurance for a prescription drug but notably does not include a deductible.

**Subd. 3. Report on compliance.** This subdivision provides that, beginning March 1, 2026, and annually thereafter, a pharmacy benefit manager or health insurer must submit a report to the

commissioner of commerce. This report must demonstrate how the PBM or health insurer has complied with the requirements of this section.

**Subd. 4. Exception.** This subdivision excepts PBMs and health insurers from the section's requirements when the covered person's cost-sharing obligation is equal to or less than: (1) \$25 for a generic drug; and (2) \$55 for a brand name drug.



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95 University Ave. W., STE 3300, Saint Paul, MN, 55155