

Representative Bradley G. Last proposes the following substitute bill:

PRESCRIPTION DRUG PURCHASING POOLS

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Bradley G. Last

Senate Sponsor: Peter C. Knudson

LONG TITLE

General Description:

This bill requires a legislative audit regarding prescription drug purchasing and pharmacy benefit manager contracting practices of state funded prescription drug programs.

Highlighted Provisions:

This bill:

- ▶ defines the state entities subject to the legislative audit;
- ▶ describes the purpose of the legislative audit; and
- ▶ provides protection of trade secrets and proprietary information regarding drug prices, discounts, and rebates.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Uncodified Material Affected:

ENACTS UNCODIFIED MATERIAL

Be it enacted by the Legislature of the state of Utah:



26 Section 1. **Legislative Audit of State Funded Prescription Drug Purchases.**
27 (1) For purposes of the legislative audit required by this bill, "state entity":
28 (a) includes:
29 (i) an employer who participates in the Public Employees' Benefit and Insurance
30 Program created in Title 49, Chapter 20, Public Employees' Benefit and Insurance Program
31 Act;
32 (ii) state institutions of higher education;
33 (iii) state institutions of public education;
34 (iv) except to the extent federal Medicaid funding is involved as provided in
35 Subsection (4)(b)(iii), the state:
36 (A) Developmental Center;
37 (B) psychiatric hospital; and
38 (C) child welfare system;
39 (v) the Department of Corrections;
40 (vi) the state's Comprehensive Health Insurance Pool created in Title 31A, Chapter 29,
41 Comprehensive Health Insurance Pool Act; and
42 (vii) political subdivisions of the state which pay for or arrange for the payment of
43 prescription drugs; and
44 (b) does not include the state Medicaid program.
45 (2) The Office of the Legislative Auditor General shall conduct an audit of prescription
46 drug purchasing practices of state entities to determine if each state entity is:
47 (a) following established best practices to obtain the best prices, discounts, and rebates
48 for drug purchases funded by the state; and
49 (b) appropriately using and reimbursing consultants and pharmacy benefit managers to
50 negotiate prices, discounts and rebates and to track employee utilization for the state entity.
51 (3) The audit shall assess and compare:
52 (a) program savings methodologies;
53 (b) all base, incentive, and administrative rebates and revenues received from drug
54 manufacturers;
55 (c) the basis for any administrative fees;
56 (d) the scope of all services covered under administrative fees;

57 (e) the methodology for calculating any discount off the average wholesale price for
58 provider reimbursement; and

59 (f) a comparison of 100 claims for brand and generic drugs based on:

60 (i) the same date for the claim;

61 (ii) the same package count for the drug; and

62 (iii) similar benefit structure.

63 (4) (a) The audit shall be ~~§~~ → [completed by December 15, 2006, but shall be] ← ~~§~~ prioritized
63a by

64 the Legislative Audit Subcommittee.

65 (b) The Office of the Legislative Auditor General may hire an expert:

66 (i) with experience in providing consultation to states on prescription drug purchasing
67 best practices; and

68 (ii) who has ~~§~~ → [not served as a consultant for a state entity subject to the audit] been
68a approved by the Legislative Audit Subcommittee ← ~~§~~ .

69 (5) Information that includes prescription drug prices and discounts or other proprietary
70 information, trade secrets, or commercial information provided to the Legislative Auditor
71 General under the provisions of this bill may be classified as protected records in accordance
72 with Section 63-2-304 of the Government Records Access and Management Act.

Fiscal Note
Bill Number HB0079S02

Prescription Drug Purchasing Pools

09-Feb-06

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State Impact

Provisions of this bill can be implemented within existing budgets.

Individual and Business Impact

No fiscal impact.

Office of the Legislative Fiscal Analyst