

**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

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**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

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*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 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.

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.

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**Fiscal Note**  
**Bill Number HB0079S02**

**Prescription Drug Purchasing Pools**

*09-Feb-06*

*4:13 PM*

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**State Impact**

Provisions of this bill can be implemented within existing budgets.

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**Individual and Business Impact**

No fiscal impact.

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**Office of the Legislative Fiscal Analyst**