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PROPOSED NCOIL PBM MODEL ACT UNDER SCRUTINY AT SPRING MEETING

Troy, New York, February 2, 2007 — After more than a year of debate, the National Conference of Insurance Legislators (NCOIL) Health, Long-Term Care & Health Retirement Issues Committee is poised to take action on issues related to pharmacy benefit managers (PBMs) on Thursday, March 1, during the March 1 through 4 NCOIL Spring Meeting in Savannah, Georgia.

Representative George Keiser (ND), immediate past chair of the Committee, said, “It is time for the Committee to move forward regarding PBMs. Whether we vote to adopt the proposed model language in its current form, decide that a scaled-back model bill is more appropriate, or determine that PBM legislation is not necessary at this time, we should advance a strategy in Savannah.”

During the Committee meeting, scheduled from 1:30 p.m. to 3:15 p.m., legislators will consider an amended version of a proposed *Model Act Regarding Pharmacy Benefit Managers*, sponsored by Del. Harvey Morgan (VA). First introduced at the 2006 Summer Meeting, the model would, among other things, require that a PBM owe a fiduciary duty to a covered entity, provide transparency regarding financial and utilization information, disclose any conflict of interest presented by PBM activity, and follow drug substitution guidelines.

Amendments made by Del. Morgan include the deletion of provisions regarding freedom of choice and drug quantity limits, as well as the inclusion of language related to the prompt payment of a “clean claim.”

Proponents of the legislation believe that pharmacies and small employers are often discriminated against in PBM contracts because of their limited size, and suggest that PBM disclosures could “level the playing field,” while opponents of the bill, including the Pharmaceutical Care Management Association (PCMA), suggest that its requirements could dramatically increase the cost of delivering prescription medication.

NCOIL began its investigation of the PBM industry with concerns regarding compensation practices and the expertise of parties acting as PBMs. NCOIL has considered PBM public policy issues for more than a year, including a special general session, a roundtable discussion, and a Committee hearing that featured debate on PBM practices.

The Spring Meeting will be held at the Hyatt Regency Savannah.

NCOIL is an organization of state legislators whose primary focus is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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