AN ACT

AMENDING SECTIONS 20-2311 AND 20-3331, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 25, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-3335; AMENDING TITLE 20, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 32; RELATING TO PHARMACY BENEFITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-2311, Arizona Revised Statutes, is amended to read:

20-2311. Premium rates and rating practices

A. The premium rate that an accountable health plan charges during a rating period for a health benefits plan issued to a small employer shall not vary by more than sixty percent from the index rate for health benefits plans involving the same or similar coverage, family size and composition, and geographic area.

B. In establishing premium rates for health benefits plans offered to small employers:

1. An accountable health plan making adjustments with respect to demographic characteristics shall apply those adjustments consistently across all small employers.

2. An accountable health plan may not use a geographic area that is smaller than a county or smaller than an area that includes all areas in which the first three digits of the zip code are identical, whichever is smaller.

C. The percentage increase in the premium rate that is charged to a small employer for a new rating period may not exceed the sum of the following:

1. The percentage change in the base premium rate.

2. Fifteen percentage points.

3. Any adjustment due to a change in coverage, family size or composition, geographic area or demographic characteristics.

D. At the time an accountable health plan offers a health benefits plan to a small employer, the accountable health plan shall fully disclose to the employer all of the following:

1. Rating practices for small employer health benefits plans, including rating practices for different populations and benefit designs.

2. The extent to which premium rates for the small employer are established or adjusted based on the actual or expected variation in claims costs or health condition of the employees of the small employer and their dependents.

3. The accountable health plan’s right to change premium rates, the extent to which premiums can be modified and the factors that affect changes in premium rates.

E. Each accountable health plan shall file annually with the director a written statement by a member of the American academy of actuaries or another individual acceptable to the director certifying that based on an examination by the individual, including a review of the appropriate records and of the actuarial assumptions of the accountable health plan and methods used by the accountable health plan in establishing base premium rates, index rates and premium rates for small employer health benefits plans:

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1. The accountable health plan is in compliance with the applicable provisions of this article.

2. The rating methods are actuarially sound.

F. Each accountable health plan shall retain a copy of the statement required by subsection E for examination at its principal place of business.

G. Each accountable health plan shall annually file with the director for informational purposes the accountable health plan's base premium rates and index rates. On request, the director shall make the base premium rates or the index rates available to the public for inspection.

H. This section does not apply if a small employer obtains a health benefits plan that is subject to and complies with 42 United States Code section 300gg.

I. WHEN CALCULATING PREMIUMS, AN ACCOUNTABLE HEALTH PLAN SHALL DEMONSTRATE TO THE DEPARTMENT HOW THE PLAN WILL REDUCE CONSUMER COSTS THROUGH MANUFACTURER REBATES AND OTHER CARRIER INCENTIVES THAT ARE RECEIVED BY THE ACCOUNTABLE HEALTH PLAN OR ANY OF THE ACCOUNTABLE HEALTH PLAN'S AFFILIATED OR CONTRACTED PHARMACY BENEFIT MANAGERS.

Sec. 2. Section 20-3331, Arizona Revised Statutes, is amended to read:

20-3331. Pharmacy benefit managers; requirements; applicability

A. A pharmacy benefit manager shall do all of the following:

1. Update the price and drug information for each list that the pharmacy benefit manager maintains every seven business days.

2. At the beginning of the term of a contract, on renewal of a contract and at least once annually during the term of a contract, make available to each network pharmacy the sources used to determine maximum allowable cost pricing.

3. Establish a process by which a network pharmacy may appeal its reimbursement for a drug subject to maximum allowable cost pricing.

4. Allow a pharmacy services administrative organization that is contracted with the pharmacy benefit manager to file an appeal of a drug on behalf of the organization's contracted pharmacies.

FIFTEEN DAYS AFTER RECEIVING THE DENIAL AND REQUEST A FORMAL HEARING
PURSUANT TO TITLE 41, CHAPTER 6, ARTICLE 10.

6. PROVIDE QUARTERLY REPORTS TO THE DEPARTMENT THAT AGGREGATE THE FOLLOWING INFORMATION, AS APPROPRIATE:
(a) DRUG MANUFACTURER REBATES.
(b) FREQUENTLY PRESCRIBED DRUGS.
(c) MOST EXPENSIVE PRESCRIBED DRUGS.
(d) ANY OTHER INFORMATION AS DETERMINED BY THE DIRECTOR.

B. Beginning on January 1, 2020, this section applies to all new and existing contracts between a pharmacy benefit manager and a licensed pharmacy.

Sec. 3. Title 20, chapter 25, article 2, Arizona Revised Statutes, is amended by adding section 20-3335, to read:

20-3335. Pharmacy benefit managers; insurers; pricing; audits
A. A PHARMACY BENEFIT MANAGER MAY NOT CHARGE MORE TO A CARRIER OR CONSUMER FOR A PRESCRIPTION DRUG THAN THE AMOUNT PAID TO THE PHARMACY FOR THE COST OF FILLING AND DISPENSING THE DRUG.
B. NOTWITHSTANDING ANY OTHER LAW, ANY STATE-SPONSORED AND STATE REGULATED HEALTH BENEFITS PLANS AND AFFILIATED PHARMACY BENEFIT MANAGERS SHALL LIMIT PRESCRIPTION DRUG REIMBURSEMENTS TO NOT MORE THAN THE UPPER PAYMENT LIMIT AS ESTABLISHED BY THE PRESCRIPTION DRUG AFFORDABILITY DIVISION.
C. HEALTH CARE PROVIDERS WHO DISPENSE AND ADMINISTER PRESCRIPTION DRUGS TO INDIVIDUALS MAY NOT CHARGE MORE THAN THE UPPER PAYMENT LIMIT TO A PATIENT OR ANY THIRD-PARTY PAYER REGARDLESS OF WHETHER THE HEALTH BENEFITS PLAN CHOSES TO REIMBURSE THE HEALTH CARE PROVIDER ABOVE THE UPPER PAYMENT LIMIT AS ESTABLISHED BY THE PRESCRIPTION DRUG AFFORDABILITY DIVISION.
D. A PHARMACY BENEFIT MANAGER WHO IS SUBJECT TO SUBSECTIONS A, B AND C OF THIS SECTION SHALL SUBMIT RECORDS OF THE PHARMACY BENEFIT MANAGER'S ACTUAL EXPENSES AND BILLED PHARMACY AMOUNTS TO THE PRESCRIPTION DRUG AFFORDABILITY DIVISION FOR AUDITING.
E. THIS ARTICLE DOES NOT APPLY TO HEALTH BENEFITS PLANS THAT ARE NOT REGULATED BY THIS STATE.

Sec. 4. Title 20, Arizona Revised Statutes, is amended by adding chapter 32, to read:

CHAPTER 32
PRESCRIPTION DRUG AFFORDABILITY DIVISION
ARTICLE 1. GENERAL PROVISIONS
20-3701. Definition of division
IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISERequires, “DIVISION” MEANS THE PRESCRIPTION DRUG AFFORDABILITY DIVISION OF THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS.
20-3702. Prescription drug affordability division; powers
A. THE PRESCRIPTION DRUG AFFORDABILITY DIVISION IS ESTABLISHED IN THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS.
B. THE DIVISION SHALL:

1. PROMOTE, STUDY AND RECOMMEND CONSUMER COST SAVING MECHANISMS FOR PRESCRIPTION DRUGS.

2. APPROVE OR DENY PRESCRIPTION DRUG PRICE INCREASE REQUESTS THAT ARE SUBMITTED TO THE DIVISION PURSUANT TO SECTION 20-3331.

3. ENSURE THAT PROPOSED HEALTH INSURANCE PREMIUM RATES THAT ARE CHARGED TO CONSUMERS ACCURATELY REFLECT THE ACTUARIAL VALUE OF THE PRESCRIPTION DRUG OR RELATED PRODUCTS, INCLUDING ANY PHARMACY BENEFIT MANAGER REBATES, ANY CARRIER INCENTIVES OR OTHER COST SAVINGS.

4. SET THE UPPER PAYMENT LIMITS FOR SPECIFIED PRESCRIPTION DRUGS, AS DETERMINED BY THE DEPARTMENT.