

HOUSE BILL NO. 1032

Introduced by

Legislative Management
(Health Care Committee)

1 A BILL for an Act to create and enact a new chapter to title 19 of the North Dakota Century
2 Code, relating to prescription drug cost transparency; and to provide a penalty.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1.** A new chapter to title 19 of the North Dakota Century Code is created and
5 enacted as follows:

6 **Definitions.**

7 As used in this chapter:

- 8 1. "Board" means the state board of pharmacy.
- 9 2. "Commissioner" means the insurance commissioner.
- 10 3. "Concession" includes a free good, delayed billing, and billing forgiveness.
- 11 4. "Drug" has the same meaning as provided under section 19-02.1-01.
- 12 5. "Health care plan" means an individual, blanket, or group plan, policy, or contract for
13 health care services issued or delivered in this state by a health insurer.
- 14 6. "Health insurer" means an insurance company, nonprofit health service corporation,
15 health maintenance organization, third-party payer, health program administered by a
16 state agency, or other person engaged as principal in the business of insurance which
17 issues or delivers a health care plan in this state.
- 18 7. "Manufacturer-packaged drug container" means a manufacturer-prepared supply of
19 medication packaged in a container with a unique product-identifying national drug
20 code number.
- 21 8. "Net spending" means the cost of drugs minus any discounts that lower the price of
22 the drugs, including a rebate, fee, retained price protection, retail pharmacy network
23 spread, and dispensing fee.

- 1 9. "Pharmacy benefits manager" has the same meaning as provided under section
2 19-03.6-01.
- 3 10. "Prescription drug" means a:
- 4 a. Substance for which federal or state law requires a prescription before the
5 substance may be legally dispensed to the public;
- 6 b. Drug or device that under federal law is required, before being dispensed or
7 delivered, to be labeled with the statement:
- 8 (1) "Caution: federal law prohibits dispensing without prescription" or "Rx only"
9 or other legend that complies with federal law; or
- 10 (2) "Caution: federal law restricts this drug to use by or on the order of a
11 licensed veterinarian"; or
- 12 c. Drug or device required by federal or state law to be dispensed on prescription or
13 restricted to use by a practitioner.
- 14 11. "Rebate" includes any discount, financial incentive, or concession that affects the price
15 of a drug to a pharmacy benefits manager or health insurer for a drug manufactured
16 by the pharmaceutical manufacturer.
- 17 12. "Specialty drug" has the same meaning as provided under section 19-02.1-16.2.
- 18 13. "Utilization management" means a set of formal techniques designed to monitor the
19 use of, or evaluate the medical necessity, appropriateness, efficacy, or efficiency of,
20 health care services, procedures, or settings.
- 21 14. "Wholesale acquisition cost" means, with respect to a prescription drug, the
22 manufacturer's list price for the prescription drug to wholesalers or direct purchasers in
23 the United States for the most recent month for which the information is available, as
24 reported in wholesale price guides or other publications of drug pricing data, such as
25 Medi-Span Price Rx, Gold Standard Drug Database, or First Databank drug data. The
26 term does not include a rebate, prompt pay, or other discount or other reduction in
27 price.

28 **Disclosure of drug pricing information.**

- 29 1. Each drug manufacturer shall submit a report to the board no later than the fifteenth
30 day of January, April, July, and October with the current wholesale acquisition cost

1 information for the United States food and drug administration-approved drugs sold in
2 or into the state by that manufacturer.

- 3 2. a. Not more than thirty days after an increase in wholesale acquisition cost of forty
4 percent or greater over the preceding five calendar years or ten percent or
5 greater in the preceding twelve months for a prescription drug with a wholesale
6 acquisition cost of seventy dollars or more for a manufacturer-packaged drug
7 container, a drug manufacturer shall submit a report to the board. The report
8 must contain the following information:
- 9 (1) Name of the drug;
 - 10 (2) Whether the drug is a brand name or a generic;
 - 11 (3) The effective date of the change in wholesale acquisition cost;
 - 12 (4) Aggregate, company-level research and development costs for the previous
13 calendar year;
 - 14 (5) Aggregate rebate amounts paid to each pharmacy benefits manager for the
15 calendar year;
 - 16 (6) The name of each of the manufacturer's drugs approved by the United
17 States food and drug administration in the previous five calendar years;
 - 18 (7) The name of each of the manufacturer's drugs that lost patent exclusivity in
19 the United States in the previous five calendar years; and
 - 20 (8) A statement of rationale regarding the factor or factors that caused the
21 increase in the wholesale acquisition cost, such as raw ingredient shortage
22 or increase in pharmacy benefits manager rebates.
- 23 b. The quality and types of information and data a drug manufacturer submits to the
24 board pursuant to this subsection must be the same as the quality and types of
25 information and data the manufacturer includes in the manufacturer's annual
26 consolidated report on securities and exchange commission form 10-K or any
27 other public disclosure.
- 28 3. A drug manufacturer shall notify the board in writing if the manufacturer is introducing
29 a new prescription drug to market at a wholesale acquisition cost that exceeds the
30 threshold set for a specialty drug under the Medicare part D program.

- 1 a. The notice must include a statement of rationale regarding the factor or factors
2 that caused the new drug to exceed the Medicare part D program price.
- 3 b. The drug manufacturer shall provide the written notice within three calendar days
4 following the release of the drug in the commercial market.
- 5 c. A drug manufacturer may make the notification pending approval by the United
6 States food and drug administration if commercial availability is expected within
7 three calendar days following the approval.
- 8 4. Within thirty days of receipt of a report under this section, the board shall provide the
9 reported information to the commissioner in a format ready for publication on the
10 commissioner's website.

11 **Disclosure of pharmacy benefits manager information.**

- 12 1. On or before April first of each year, a pharmacy benefits manager providing services
13 for a health care plan shall file a report with the board. The report must contain the
14 following information for the previous calendar year:
 - 15 a. The aggregated rebates, fees, price protection payments, and any other
16 payments collected from each drug manufacturer;
 - 17 b. The aggregated dollar amount of rebates, price protection payments, fees, and
18 any other payments collected from each drug manufacturer which were passed
19 to health insurers;
 - 20 c. The aggregated fees, price concessions, penalties, effective rates, and any other
21 financial incentive collected from pharmacies which were passed to enrollees at
22 the point of sale;
 - 23 d. The aggregated dollar amount of rebates, price protection payments, fees, and
24 any other payments collected from drug manufacturers which were retained as
25 revenue by the pharmacy benefits manager; and
 - 26 e. The aggregated rebates passed on to employers.
- 27 2. Reports submitted by pharmacy benefits managers under this section may not
28 disclose the identity of a specific health benefit plan or enrollee, the prices charged for
29 specific drugs or classes of drugs, or the amount of any rebates or fees provided for
30 specific drugs or classes of drugs.

- 1 3. Within thirty days of receipt of a report under this section, the board shall provide the
2 reported information to the commissioner in a format ready for publication on the
3 commissioner's website. The information the board provides to the commissioner may
4 not disclose or tend to disclose proprietary or confidential information of any pharmacy
5 benefit manager.

6 **Disclosure of health insurer spending information.**

- 7 1. a. On or before April first of each year, each health insurer shall submit a report to
8 the board. The report must contain the following information for the previous two
9 calendar years:
10 (1) Names of the twenty-five most frequently prescribed drugs across all plans;
11 (2) Names of the twenty-five prescription drugs dispensed with the highest
12 dollar spend in terms of gross revenue;
13 (3) Percent increase in annual net spending for prescription drugs across all
14 plans;
15 (4) Percent increase in premiums which is attributable to prescription drugs
16 across all plans;
17 (5) Percentage of specialty drugs with utilization management requirements
18 across all plans; and
19 (6) Premium reductions attributable to specialty drug utilization management.
20 b. Within thirty days of receipt of a report under this section, the board shall provide
21 the reported information to the commissioner in a format ready for publication on
22 the commissioner's website. The combined aggregated data from the reports
23 which the board provides to the commissioner must be provided in a manner that
24 does not disclose or tend to disclose proprietary or confidential information of any
25 health insurer.
26 2. A report submitted by a health insurer may not disclose the identity of a specific health
27 benefit plan or the prices charged for specific prescription drugs or classes of
28 prescription drugs.

29 **Website.**

- 30 1. The commissioner shall develop a website to publish information the board reports to
31 the commissioner under this chapter. The commissioner shall make the website

1 available on the commissioner's website with a dedicated link prominently displayed
2 on the home page, or by a separate, easily identifiable internet address.

3 2. Within thirty days of receipt of reported information from the board, the commissioner
4 shall publish the reported information on the website developed under this section.

5 **Rulemaking - Forms - Services - Records.**

6 1. The board and the commissioner may adopt rules to implement this chapter.

7 2. In consultation with the commissioner, the board shall develop forms that must be
8 used for reporting required under this chapter.

9 3. The board may contract for services to implement this chapter.

10 4. A report received by the board is an exempt record as defined by section 44-04-17.1.

11 **Civil penalty.**

12 A health care plan, drug manufacturer, or pharmacy benefits manager that violates this
13 chapter is subject to the imposition by the attorney general of a civil penalty not to exceed
14 ten thousand dollars for each violation. The fine may be collected and recovered in an action
15 brought in the name of the state.