

Sixty-seventh  
Legislative Assembly  
of North Dakota

## ENGROSSED 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~~26.1 of the North Dakota Century  
2 Code, relating to prescription drug cost transparency; to amend and reenact section 43-15.3-12  
3 of the North Dakota Century Code, relating to wholesale drug license fees; to provide a  
4 continuing appropriation; and to provide a penalty.

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

6 ~~SECTION 1. A new chapter to title 19 of the North Dakota Century Code is created and~~  
7 ~~enacted as follows:~~

8 **SECTION 1.** A new chapter to title 26.1 of the North Dakota Century Code is created and  
9 enacted as follows:

10 **Definitions.**

11 As used in this chapter:

- 12 1. "Board" means the state board of pharmacy.
- 13 2. "Commissioner" means the insurance commissioner.
- 14 3. "Concession" includes a free good, delayed billing, and billing forgiveness.
- 15 4. "Drug" has the same meaning as provided under section 19-02.1-01.
- 16 5. "Drug manufacturer" means the entity that holds the national drug code for a drug  
17 which is engaged in the production, preparation, propagation, compounding,  
18 conversion, or processing of the drug or which is engaged in the packaging,  
19 repackaging, labeling, relabeling, or distribution of the drug. The term does not include  
20 a wholesale drug distributor or retail pharmacy licensed in this state.
- 21 6. "Health care plan" means an individual, blanket, or group plan, policy, or contract for  
22 health care services issued or delivered in this state by a health insurer.
- 23 ~~6.7.~~ "Health insurer" means an insurance company, nonprofit health service corporation,  
24 health maintenance organization, third-party payer, health program administered by a

1 state agency other than the department of human services or state department of  
2 health, or other person engaged as principal in the business of insurance which issues  
3 or delivers a health care plan in this state.

4 ~~7. "Hospital" means a facility licensed under chapter 23-16.~~

5 8. "Manufacturer-packaged drug container" means a drug manufacturer-prepared supply  
6 of medication packaged in a container with a unique product-identifying national drug  
7 code number.

8 9. "Net spending" means the cost of drugs minus any discounts that lower the price of  
9 the drugs, including a rebate, fee, retained price protection, retail pharmacy network  
10 spread, and dispensing fee.

11 ~~10. "Pharmacy" means a pharmacy or drugstore registered under chapter 43-15.~~

12 ~~11.10.~~ "Pharmacy benefits manager" has the same meaning as provided under section  
13 19-03.6-01. The term does not include the department of human services or state  
14 department of health.

15 ~~12. "Pharmacy services administrative organization" means an entity that provides~~  
16 ~~contracting and other administrative services to a pharmacy to assist the pharmacy in~~  
17 ~~the pharmacy's interaction, including reimbursement rate negotiations with a~~  
18 ~~third party payer, pharmacy benefit manager, wholesale drug distributor, and other~~  
19 ~~entities.~~

20 ~~13.11.~~ "Prescription drug" means a:

21 ~~a. Substance for which federal or state law requires a prescription before the~~  
22 ~~substance may be legally dispensed to the public;~~

23 ~~b. Drug or device that under federal law is required, before being dispensed or~~  
24 ~~delivered, to be labeled with the statement:~~

25 ~~(1) "Caution: federal law prohibits dispensing without prescription" or "Rx only"~~  
26 ~~or other legend that complies with federal law; or~~

27 ~~(2) "Caution: federal law restricts this drug to use by or on the order of a~~  
28 ~~licensed veterinarian"; or~~

29 ~~c. Drug or device required by federal or state law to be dispensed on prescription or~~  
30 ~~restricted to use by a practitioner~~ has the same meaning as under section  
31 43-15-01.

1 ~~14.12.~~ "Rebate" includes any discount, financial incentive, or concession that affects the price  
2 of a drug to a pharmacy benefits manager or health insurer for a drug manufactured  
3 by the ~~pharmaceutical~~drug manufacturer.

4 ~~15.13.~~ "Specialty drug" has the same meaning as provided under section 19-02.1-16.2.

5 ~~16.14.~~ "Utilization management" means a set of formal techniques designed to monitor the  
6 use of, or evaluate the medical necessity, appropriateness, efficacy, or efficiency of,  
7 health care services, procedures, or settings.

8 ~~17.15.~~ "Wholesale acquisition cost" means, with respect to a prescription drug, the drug  
9 manufacturer's list price for the prescription drug to ~~wholesale drug-~~  
10 ~~distributors~~wholesalers or direct purchasers in the United States for the most recent  
11 month for which the information is available, as reported in wholesale price guides or  
12 other publications of drug pricing data, such as Medi-Span Price Rx, Gold Standard  
13 Drug Database, or First Databank drug data. The term does not include a rebate,  
14 prompt pay, or other discount or other reduction in price.

15 ~~18.~~ ~~"Wholesale drug distributor" has the same meaning as provided under section~~  
16 ~~43-15.1-01.~~

17 **Disclosure of drug pricing information.**

18 1. Each drug manufacturer shall submit a report to the ~~board~~commissioner no later than  
19 the fifteenth day of January, April, July, and October with the current wholesale  
20 acquisition cost information for the ~~United States food and drug administration-~~  
21 ~~approved~~prescription drugs sold in or into the state by that drug manufacturer.

22 2. a. Not more than thirty days after an increase in wholesale acquisition cost of forty  
23 percent or greater over the preceding five calendar years or ten percent or  
24 greater in the preceding twelve months for a prescription drug with a wholesale  
25 acquisition cost of seventy dollars or more for a manufacturer-packaged drug  
26 container, a drug manufacturer shall submit a report to the ~~board~~commissioner.

27 The report must contain the following information:

28 (1) Name of the drug;

29 (2) Whether the drug is a brand name or a generic;

30 (3) The effective date of the change in wholesale acquisition cost;

- 1           (4) Aggregate, company-level research and development costs for the previous  
2           calendar year;
- 3           (5) Aggregate rebate amounts paid to each pharmacy benefits manager for the  
4           previous calendar year;
- 5           (6) The name of each of the drug manufacturer's drugs approved by the United  
6           States food and drug administration in the previous five calendar years;
- 7           (7) The name of each of the drug manufacturer's drugs that lost patent  
8           exclusivity in the United States in the previous five calendar years; and
- 9           (8) A concise statement of rationale regarding the factor or factors that caused  
10          the increase in the wholesale acquisition cost, such as raw ingredient  
11          shortage or increase in pharmacy benefits manager rebates.
- 12          b. The quality and types of information and data a drug manufacturer submits to the  
13          board commissioner pursuant to this subsection must be the same as the quality  
14          and types of information and data the drug manufacturer includes in the drug  
15          manufacturer's annual consolidated report on securities and exchange  
16          commission form 10-K or any other public disclosure.
- 17          3. A drug manufacturer shall notify the board commissioner in writing if the drug  
18          manufacturer is introducing a new prescription drug to market at a wholesale  
19          acquisition cost that exceeds the threshold set for a specialty drug under the Medicare  
20          part D program.
- 21          a. The notice must include a concise statement of rationale regarding the factor or  
22          factors that caused the new drug to exceed the Medicare part D program price.
- 23          b. The drug manufacturer shall provide the written notice within three calendar days  
24          following the release of the drug in the commercial market.
- 25          c. A drug manufacturer may make the notification pending approval by the United  
26          States food and drug administration if commercial availability is expected within  
27          three calendar days following the approval.
- 28          ~~4. Within thirty days of receipt of a report under this section, the board shall provide the~~  
29          ~~reported information to the commissioner in a format ready for publication on the~~  
30          ~~commissioner's website.~~

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

2        1. On or before April first of each year, a pharmacy benefits manager providing services  
3        for a health care plan shall file a report with the ~~board~~commissioner. The report must  
4        contain the following information for the previous calendar year:

5        a. The aggregated rebates, fees, price protection payments, and any other  
6        payments collected from each drug manufacturer;

7        b. The aggregated dollar amount of rebates, price protection payments, fees, and  
8        any other payments collected from each drug manufacturer which were passed  
9        to health insurers;

10       c. The aggregated fees, price concessions, penalties, effective rates, and any other  
11       financial incentive collected from pharmacies which were passed to enrollees at  
12       the point of sale;

13       d. The aggregated dollar amount of rebates, price protection payments, fees, and  
14       any other payments collected from drug manufacturers which were retained as  
15       revenue by the pharmacy benefits manager; and

16       e. The aggregated rebates passed on to employers.

17       2. Reports submitted by pharmacy benefits managers under this section may not  
18       disclose the identity of a specific health benefit plan or enrollee, the identity of a drug  
19       manufacturer, the prices charged for specific drugs or classes of drugs, or the amount  
20       of any rebates or fees provided for specific drugs or classes of drugs.

21       ~~3. Within thirty days of receipt of a report under this section, the board shall provide the~~  
22       ~~reported information to the commissioner in a format ready for publication on the~~  
23       ~~commissioner's website. The information the board provides to the commissioner may~~  
24       ~~not disclose or tend to disclose proprietary or confidential information of any pharmacy~~  
25       ~~benefit manager.~~

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

27       1. a. ~~—~~ On or before April first of each year, each health insurer shall submit a report to  
28       the ~~board~~commissioner. The report must contain the following information for the  
29       previous two calendar years:

30       ~~(1)~~a. Names of the twenty-five most frequently prescribed drugs across all  
31       plans;

1           —~~(2)b.~~ Names of the twenty-five prescription drugs dispensed with the highest  
2           dollar spend in terms of gross revenue;

3           —~~(3)c.~~ Percent increase in annual net spending for prescription drugs across all  
4           plans;

5           —~~(4)d.~~ Percent increase in premiums which is attributable to prescription drugs  
6           across all plans;

7           —~~(5)e.~~ Percentage of specialty drugs with utilization management requirements  
8           across all plans; and

9           —~~(6)f.~~ Premium reductions attributable to specialty drug utilization management.

10       —~~b.~~ Within thirty days of receipt of a report under this section, the board shall provide  
11       the reported information to the commissioner in a format ready for publication on  
12       the commissioner's website. The combined aggregated data from the reports  
13       which the board provides to the commissioner must be provided in a manner that  
14       does not disclose or tend to disclose proprietary or confidential information of any  
15       health insurer.

16       2. A report submitted by a health insurer may not disclose the identity of a specific health  
17       benefit plan or the prices charged for specific prescription drugs or classes of  
18       prescription drugs.

19       —**Disclosure of pharmacy services administrative organization information.**

20       —~~1.~~ On or before April first of each year, a pharmacy services administrative organization  
21       providing services for a pharmacy shall file a report with the board. The report must  
22       contain the following information for the previous calendar year:

23       —~~a.~~ The aggregated rebates, fees, price protection payments, and any other  
24       payments collected from each drug manufacturer or wholesale drug distributor;

25       —~~b.~~ The aggregated dollar amount of rebates, price protection payments, fees, and  
26       any other payments collected from each drug manufacturer or wholesale drug  
27       distributor which were passed to pharmacies;

28       —~~c.~~ The aggregated fees, price concessions, penalties, effective rates, and any other  
29       financial incentive collected from pharmacies which were passed to pharmacies  
30       at the point of sale; and

- 1 ~~d. The aggregated dollar amount of rebates, price protection payments, fees, and~~  
2 ~~any other payments collected from drug manufacturers or wholesale drug~~  
3 ~~distributors which were retained as revenue by the pharmacy services~~  
4 ~~administrative organization.~~
- 5 ~~2. A report submitted by a pharmacy services administrative organization under this~~  
6 ~~section may not disclose the identity of a specific health benefit plan or enrollee or the~~  
7 ~~prices charged for specific drugs or classes of drugs.~~
- 8 ~~3. 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. The information the board provides to the commissioner may~~  
11 ~~not disclose or tend to disclose proprietary or confidential information of any pharmacy~~  
12 ~~services administrative organization.~~
- 13 ~~**Disclosure of wholesale drug distributor information.**~~
- 14 ~~1. On or before April first of each year, a wholesale drug distributor in this state shall file a~~  
15 ~~report with the board. The report must contain the following information for the~~  
16 ~~previous calendar year:~~
- 17 ~~a. The aggregated rebates, fees, price protection payments, and any other~~  
18 ~~payments collected from each drug manufacturer;~~
- 19 ~~b. The aggregated dollar amount of rebates, price protection payments, fees, and~~  
20 ~~any other payments collected from each drug manufacturer;~~
- 21 ~~c. The aggregated fees, price concessions, penalties, effective rates, and any other~~  
22 ~~financial incentive collected from pharmacies;~~
- 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 wholesale drug distributor; and~~
- 26 ~~e. The aggregated rebates passed on to employers.~~
- 27 ~~2. Reports submitted by wholesale drug distributors under this section may not disclose~~  
28 ~~the identity of a specific health benefit plan or enrollee, the prices charged for specific~~  
29 ~~drugs or classes of drugs, or the amount of any rebates or fees provided for specific~~  
30 ~~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 wholesale~~  
5 ~~drug distributor.~~

6 ~~**Disclosure of hospital and pharmacy information.**~~

7 ~~1. On or before April first of each year, a pharmacy and a hospital shall file a report with~~  
8 ~~the board. The report must contain the following information for the previous calendar~~  
9 ~~year:~~

10 ~~a. The aggregated rebates, fees, price protection payments, and any other~~  
11 ~~payments collected for a pharmacy benefits manager;~~

12 ~~b. The aggregated dollar amount of rebates, price protection payments, fees, and~~  
13 ~~any other payments collected from each drug manufacturer or pharmacy benefits~~  
14 ~~manager which were retained as revenue by the pharmacy or hospital; and~~

15 ~~c. The aggregated rebates passed on to employers.~~

16 ~~2. Reports submitted by a pharmacy or hospital under this section may not disclose the~~  
17 ~~identity of a specific health benefit plan or enrollee, the prices charged for specific~~  
18 ~~drugs or classes of drugs, or the amount of any rebates or fees provided for specific~~  
19 ~~drugs or classes of drugs.~~

20 ~~3. Within thirty days of receipt of a report under this section, the board shall provide the~~  
21 ~~reported information to the commissioner in a format ready for publication on the~~  
22 ~~commissioner's website. The information the board provides to the commissioner may~~  
23 ~~not disclose or tend to disclose proprietary or confidential information of any pharmacy~~  
24 ~~or hospital.~~

25 **Website.**

26 1. The commissioner shall develop a website to publish information ~~the board reports to~~  
27 ~~the commissioner~~ receives under this chapter. The commissioner shall make the  
28 website available on the commissioner's website with a dedicated link prominently  
29 displayed on the home page, or by a separate, easily identifiable internet address.

30 2. Within ~~thirty~~sixty days of receipt of reported information ~~from the board~~under this  
31 ~~chapter~~, the commissioner shall publish the reported information on the website



1            developed under this section. The information the commissioner publishes may not  
2            disclose or tend to disclose trade secret, proprietary, commercial, financial, or  
3            confidential information of any pharmacy, pharmacy benefits manager, drug  
4            wholesaler, or hospital.

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~~board, the ~~board~~commissioner shall develop  
8            forms that must be used for reporting required under this chapter.  
9            3. The ~~board~~commissioner may contract for services to implement this chapter.  
10          4. A report received by the ~~board~~commissioner is an exempt record as defined by section  
11          44-04-17.1; however, as provided under section 44-04-18.4 any portion of a report  
12          which discloses trade secret, proprietary, commercial, or financial information is  
13          confidential if it is of a privileged nature and has not been previously publicly  
14          disclosed.

15          **Drug pricing fund - Transfer - Continuing appropriation.**

16          The board may deposit up to six hundred dollars of every wholesaler license fee and every  
17          virtual wholesaler license fee collected by the board under section 43-15.3-12 to the drug  
18          pricing fund. All moneys in the fund, not otherwise appropriated, are appropriated to the  
19          insurance department to implement this chapter.

20          **Civil penalty.**

21          A health ~~care plan~~insurer, drug manufacturer, ~~hospital, pharmacy, wholesale drug~~  
22          distributor, ~~pharmacy services administrative organization,~~ or pharmacy benefits manager that  
23          violates this chapter is subject to the imposition by the attorney general of a civil penalty not to  
24          exceed ten thousand dollars for each violation. ~~The attorney general may waive or reduce a fine~~  
25          under this section upon a finding of good cause, such as excusable neglect or other extenuating  
26          circumstances. The fine may be collected and recovered in an action brought in the name of the  
27          state.

28          **SECTION 2. AMENDMENT.** Section 43-15.3-12 of the North Dakota Century Code is  
29          amended and reenacted as follows:

30          **43-15.3-12. Fees.**

31          The board shall charge and collect the following fees under this chapter:

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1	Chain drug warehouse	\$200
2	Chain pharmacy warehouse	\$200
3	Durable medical equipment distributor, medical gas distributor, or both	\$200
4	Durable medical equipment retailer, medical gas retailer and distributor, or both	\$300
5	Hospital offsite warehouse	\$200
6	Jobber or broker	<del>\$400</del> <u>Not to exceed \$1,000</u>
7	Manufacturer	<del>\$400</del> <u>Not to exceed \$1,000</u>
8	Medical gas retailer, durable medical equipment retailer, or both	\$200
9	Medical gas durable medical equipment distributor and retailer	\$300
10	Outsourcing facility	\$200
11	Own label distributor	<del>\$400</del> <u>Not to exceed \$1,000</u>
12	Pharmacy distributor	\$200
13	Private label distributor	<del>\$400</del> <u>Not to exceed \$1,000</u>
14	Repackager	<del>\$400</del> <u>Not to exceed \$1,000</u>
15	Reverse distributor	\$200
16	Third-party logistic provider	<del>\$400</del> <u>Not to exceed \$1,000</u>
17	Veterinary-only distributor	\$200
18	Virtual manufacturer	\$400
19	Virtual wholesaler or distributor	<del>\$400</del> <u>Not to exceed \$1,000</u>
20	Wholesaler or distributor	<del>\$400</del> <u>Not to exceed \$1,000</u>