

**CHAPTER 109****( SB 107 )**

AN ACT relating to pharmacy benefit managers.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

➔SECTION 1. A NEW SECTION OF SUBTITLE 17A OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

*As used in Sections 1 and 2 of this Act, unless the context requires otherwise:*

- (1) *"Contracted pharmacy" or "pharmacy" means a pharmacy located in Kentucky participating in the network of a pharmacy benefit manager through a direct contract or through a contract with a pharmacy services administration organization or group purchasing organization;*
- (2) *"Drug product reimbursement" means the amount paid by a pharmacy benefit manager to a contracted pharmacy for the cost of the drug dispensed to a patient and does not include a dispensing or professional fee; and*
- (3) *"Pharmacy benefit manager" means an entity that contracts with pharmacies on behalf of a health benefit plan, state agency, insurer, managed care organization, or other third-party payor to provide pharmacy health benefit services or administration.*

➔SECTION 2. A NEW SECTION OF SUBTITLE 17A OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

- (1) *All contracts between a pharmacy benefit manager and a contracted pharmacy shall include:*
  - (a) *The sources used by the pharmacy benefit manager to calculate the drug product reimbursement paid for covered drugs available under the pharmacy health benefit plan administered by the pharmacy benefit manager;*
  - (b) *A process to appeal, investigate, and resolve disputes regarding the maximum allowable cost pricing. The process shall include the following provisions:*
    1. *The right to appeal shall be limited to sixty (60) days following the initial claim;*
    2. *The appeal shall be investigated and resolved within ten (10) days;*
    3. *If the appeal is denied, the pharmacy benefit manager shall provide the reason for the denial and identify the national drug code of a drug product that may be purchased by contracted pharmacies at a price at or below the maximum allowable cost; and*
  - (c) *Within one (1) year from the effective date of this Act, a process to provide for retroactive reimbursements.*
- (2) *For every drug for which the pharmacy benefit manager establishes a maximum allowable cost to determine the drug product reimbursement the pharmacy benefit manager shall:*
  - (a) *Include in the contract with the pharmacy information identifying the national drug pricing compendia or sources used to obtain the drug price data;*
  - (b) *Make available to a contracted pharmacy the drugs subject to maximum allowable cost and the actual maximum allowable cost for each drug;*
  - (c) *Review and make necessary adjustments to the maximum allowable cost for every drug at least every fourteen (14) days; and*
  - (d) *Make available to a contracted pharmacy weekly updates to the list of drugs subject to maximum allowable cost and the actual maximum allowable cost for each drug.*

**Signed by Governor March 22, 2013.**