On page 2, between lines 16 and 17, by inserting the following:

"➔SECTION 2.   A NEW SECTION OF KRS CHAPTER 18A IS CREATED TO READ AS FOLLOWS:

(1)   (a)   By December 31, 2022, the secretary of the Finance and Administration Cabinet shall, upon the recommendation of the secretary of the Personnel Cabinet and in accordance with KRS Chapter 45A, select and enter into a contract, the effective date of which shall not be later than January 1, 2023, with a single independent entity for the purpose of monitoring all pharmacy benefit claims for every individual enrolled in the Public Employee Health Insurance Program.

(b)   A contract entered into pursuant to this subsection shall:

1.   Not be for a term longer than two (2) years but may be renewed for like or lesser periods; and

2.   Limit compensation paid to the contracted entity to not more than thirty percent (30%) of the total savings generated by the contracted entity as determined by the Personnel Cabinet.

(2)   To be eligible to receive a contract pursuant to subsection (1) of this section, an entity shall:

(a)   Be capable of performing the analysis of pharmacy benefit claims to validate

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Committee Amendment		Signed:	
Floor Amendment		LRC Drafter:	
Adopted:		Date:	
Rejected:		Doc. ID:	XXXX

accuracy and identify errors in near real time;

(b)   Not be an entity that performs annual retroactive audits of pharmacy benefit claims for the Public Employee Health Insurance Program; and

(c)   Not be affiliated by common parent company or holding company, share any common members of the board of directors, or share managers in common with:

1.   An insurer contracted pursuant to KRS 18A.225;

2.   A third-party administrator contracted pursuant to KRS 18A.2254; or

3.   A pharmacy benefit manager contracted by:

a.   The Personnel Cabinet;

b.   An insurer contracted pursuant to KRS 18A.225; or

c.   A third-party administrator contracted pursuant to KRS 18A.2254.

(3)   The entity contracted pursuant to subsection (1) of this section shall:

(a)   Be granted full access to:

1.   Any contract awarded to a pharmacy benefit manager for the purpose of administering pharmacy benefits in the Public Employee Health Insurance Program and all pertinent reference documents within that contract, including but not limited to any price lists or specialty drug price lists which shall be provided to the monitoring entity contracted pursuant to this section by the Personnel Cabinet and which shall be updated by the Personnel Cabinet within five (5) days of the effective date of any pricing changes;

2.   Any other contract that defines a pharmacy benefit manager's obligations and responsibilities as it relates to processing Public Employee Health Insurance Program pharmacy benefit claims, including any contract between the pharmacy benefit manager and an insurer contracted pursuant to KRS

18A.225 or a third-party administrator contracted pursuant to KRS 18A.2254; and

3. *Invoices and unaltered claims files associated with the Public Employee Health Insurance Program pharmacy benefits;*

(b) *Analyze one hundred percent (100%) of invoices or claims submitted for payment by the Public Employee Health Insurance Program. The entity shall not utilize statistical sampling methods in lieu of analyzing all invoices and claims;*

(c) *Identify and correct errors in pharmacy benefit claims in order to avoid or reduce erroneous overpayments by an insurer contracted pursuant to KRS 18A.225, a third-party administrator contracted pursuant to KRS 18A.2254, or a pharmacy benefit manager contracted to administer pharmacy benefits in the Public Employee Health Insurance Program;*

(d) *Identify underpayments made by an insurer contracted pursuant to KRS 18A.225, a third-party administrator contracted pursuant to KRS 18A.2254, or a pharmacy benefit manager contracted to administer pharmacy benefits in the Public Employee Health Insurance Program;*

(e) *Identify inappropriate or erroneous fees imposed by an insurer contracted pursuant to KRS 18A.225, a third-party administrator contracted pursuant to KRS 18A.2254, or a pharmacy benefit manager contracted to administer pharmacy benefits in the Public Employee Health Insurance Program; and*

(f) *Beginning on April 30, 2023, and quarterly thereafter, submit a report to the Legislative Research Commission. The report shall include a summary of the analysis and errors identified pursuant to paragraphs (c), (d), and (e) of this subsection during the previous quarter.*

(4)   The entity contracted pursuant to subsection (1) of this section shall not perform drug utilization reviews.

(5)   The analysis of claims and the identification of potential errors required by subsection (3)(b), (c), and (d) of this section shall:

(a)   Occur prior to the due date of each claim or invoice submitted by an insurer contracted pursuant to KRS 18A.225, a third-party administrator contracted pursuant to KRS 18A.2254, or a pharmacy benefit manager contracted to administer pharmacy benefits in the Public Employee Health Insurance Program or within five (5) days of receipt of the claim or invoice, whichever is later; and

(b)   Consider at least the following:

1.   Compliance with all relevant administrative regulations promulgated by the Personnel Cabinet;

2.   Compliance with all state and federal laws relating to or applicable to the Public Employee Health Insurance Program;

3.   Compliance with any contract between a pharmacy benefit manager and the Personnel Cabinet, an insurer contracted pursuant to KRS 18A.225, or a third-party administrator contracted pursuant to KRS 18A.2254; and

4.   The market competitiveness of pharmacy benefit payments, including the adequacy of payments to pharmacies.

(6)   The Personnel Cabinet may promulgate administrative regulations necessary to carry out this section."; and

Renumber subsequent sections; and

On page 2, line 20, after the word "and" by inserting "Section 1 of".