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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2018

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A N A C T

RELATING TO BUSINESSES AND PROFESSIONS - PHARMACEUTICAL COST
TRANSPARENCY

Introduced By: Representatives Lombardi, Coughlin, Williams, and Hull

Date Introduced: January 03, 2018

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Legislative findings. The general assembly hereby finds and declares as
2 follows:

3 (1) The costs of prescription drugs have been increasing with regularity;

4 (2) Containing health care costs requires containing prescription drug costs; and

5 (3) In order to contain prescription drug costs, it is essential to understand the drivers of
6 those costs, as transparency is typically the first step toward cost containment.

7 SECTION 2. Title 5 of the General Laws entitled "BUSINESSES AND PROFESSIONS"
8 is hereby amended by adding thereto the following chapter:

9 CHAPTER 19.3

10 PHARMACEUTICAL COST TRANSPARENCY

11 **5-19.3-1. Definitions.**

12 As used in this chapter:

13 (1) "Board" means the state board of pharmacy created pursuant to §5-19.1-3.

14 (2) "Department" means the Rhode Island department of health.

15 (3) "Manufacturer" means a person or entity licensed to manufacture legend drugs
16 pursuant to §5-19.1-12.

17 (4) "Prescription drug" means a drug as defined in 21 U.S.C. §321.

18 **5-19.3-2. Identification of high cost prescription drugs.**

1 (a)(1) The state board of pharmacy, in collaboration with the Rhode Island department of
2 health, shall identify annually up to fifteen (15) prescription drugs on which the state spends
3 significant health care dollars and for which the wholesale acquisition cost has increased by fifty
4 percent (50%) or more over the past five (5) years or by fifteen percent (15%) or more over the
5 past twelve (12) months, creating a substantial public interest in understanding the development
6 of the drugs' pricing. The drugs identified shall represent different drug classes.

7 (2) The board shall provide to the office of the attorney general the list of prescription
8 drugs developed pursuant to this subsection and the percentage of the wholesale acquisition cost
9 increase for each drug and shall make the information available to the public on the board's
10 website.

11 (b)(1) For each prescription drug identified pursuant to subsection (a) of this section, the
12 office of the attorney general shall require the drug's manufacturer to provide a justification for
13 the increase in the wholesale acquisition cost of the drug in a format that the attorney general
14 determines to be understandable and appropriate. The manufacturer shall submit to the office of
15 the attorney general all relevant information and supporting documentation necessary to justify
16 the manufacturer's wholesale acquisition cost increase, which may include:

17 (i) All factors that have contributed to the wholesale acquisition cost increase;

18 (ii) The percentage of the total wholesale acquisition cost increase attributable to each
19 factor; and

20 (iii) An explanation of the role of each factor in contributing to the wholesale acquisition
21 cost increase.

22 (2) Nothing in this section shall be construed to restrict the legal ability of a prescription
23 drug manufacturer to change prices to the extent permitted under federal law.

24 (c) The attorney general, in consultation with the Rhode Island department of health,
25 shall provide a report to the general assembly on or before December 1 of each year based on the
26 information received from manufacturers pursuant to this section. The attorney general shall also
27 post the report on the office of the attorney general's website.

28 (d) Information provided to the office of the attorney general pursuant to this section is
29 exempt from public inspection and copying and is not a public record pursuant to chapter 2 of
30 title 38 ("access to public records"), and shall not be released in a manner that allows for the
31 identification of an individual drug or manufacturer or that is likely to compromise the financial,
32 competitive, or proprietary nature of the information.

33 **5-19.3-3. Injunctive relief.**

34 The attorney general may bring a civil action in the superior court for Providence county

1 for injunctive relief, costs, and attorneys' fees, and to impose on a manufacturer that fails to
2 provide the information required by §5-19.3-2(b) a civil penalty of no more than ten thousand
3 dollars (\$10,000) per violation. Each unlawful failure to provide information shall constitute a
4 separate violation.

5 **5-19.3-4. Rulemaking.**

6 (a) On or before January 1, 2019, the insurance commissioner shall adopt rules and
7 regulations to require all health insurers that offer health benefit plans to Rhode Island residents
8 through HealthSource RI or any successor health benefit exchange to provide information to
9 enrollees, potential enrollees, and health care providers about the exchange plans' prescription
10 drug formularies.

11 (b) The rules shall ensure that:

12 (1) The formulary is posted online in a standard format established by the insurance
13 commissioner;

14 (2) The formulary is updated frequently and is searchable by enrollees, potential
15 enrollees, and health care providers; and

16 (3) The formulary includes information about the prescription drugs covered, applicable
17 cost-sharing amounts, drug tiers, prior authorization, step therapy, and utilization management
18 requirements.

19 **5-19.3-5. Dispensing fees.**

20 (a) The Rhode Island department of health shall use the same dispensing fee in its
21 reimbursement formula for 340B prescription drugs as the department uses to pay for non-340B
22 prescription drugs under the Medicaid program.

23 (b) Notwithstanding the provisions of subsection (a) of this section, the department is
24 authorized to modify the dispensing fee or reimbursement formula provided to federally qualified
25 health centers and Title X family planning clinics for dispensing 340B prescription drugs to
26 Medicaid beneficiaries.

27 **5-19.3-6. Drug reimbursement - Reporting.**

28 (a) The Rhode Island department of health shall:

29 (1) Determine the formula used by other states' Medicaid programs to reimburse covered
30 entities that use 340B pricing for dispensing prescription drugs to Medicaid beneficiaries;

31 (2) Evaluate the advantages and disadvantages of using the same dispensing fee in its
32 reimbursement formula for 340B prescription drugs as the department uses to pay for non-340B
33 prescription drugs under the Medicaid program; and

34 (3) Identify the benefits, if any, of 340B drug pricing to consumers, other payers, and the

1 overall health care system.

2 (b) On or before March 15, 2019, the department shall report to the house of
3 representatives, the senate, and the governor's office regarding its findings and recommendations,
4 including recommended modifications to Rhode Island's 340B reimbursement formula, if any,
5 and the financial implications of implementing any recommended modifications.

6 **5-19.3-7. Out-of-pocket prescription drug limits – Advisory commission.**

7 (a) The Rhode Island department of health shall convene an advisory commission to
8 develop options for all qualified health benefit plans to be offered on the Rhode Island health
9 benefit exchange for the 2020 plan year, including:

10 (1) One or more plans with a higher out-of-pocket limit on prescription drug coverage
11 than the limit established pursuant to current law and regulations; and

12 (2) Two (2) or more plans with an out-of-pocket limit at or below the limit established
13 pursuant to current law and regulations.

14 (b) The advisory commission shall include at least the following members:

15 (1) A representative of the Rhode Island health benefits exchange, appointed by the
16 governor;

17 (2) A representative of each of the commercial health insurers offering plans on the
18 Rhode Island health benefit exchange, appointed by each insurer;

19 (3) The insurance commissioner, or designee;

20 (4) A representative of the exchange advisory board established pursuant to §42-157-7,
21 appointed by the governor;

22 (4) A representative of a Rhode Island AIDS services organization, appointed by the
23 governor;

24 (5) The director of the department of administration;

25 (6) The director of the department of health or designee;

26 (7) A consumer nominated by a Rhode Island AIDS services organization and appointed
27 by the governor;

28 (8) A representative of the American Cancer Society appointed by the governor; and

29 (9) A consumer nominated by the American Cancer Society and appointed by the
30 governor.

31 (c)(1) The advisory commission shall meet at least six (6) times prior to the department
32 submitting plan designs to the state board of pharmacy for approval.

33 (2) In developing the standard qualified health benefit plan designs for the 2020 plan
34 year, the department of health shall present the recommendations of the advisory commission

1 established pursuant to this section.

2 **5-19.3-8. Reports.**

3 (a) On or before February 15, 2019, the department of health shall provide to the
4 governor, the house of representatives, and the senate:

5 (1) An overview of the cost-share increase trend for all qualified health benefit plans
6 offered on the Rhode Island health benefit exchange for the 2015 through 2018 plan years that
7 were subject to the out-of-pocket prescription drug limit established in state law or regulation;

8 (2) Detailed information regarding lower cost-sharing amounts for selected services that
9 will be available in all qualified health benefit plans in the 2019 plan year due to the flexibility to
10 increase the out-of-pocket prescription drug limits established pursuant to this chapter;

11 (3) A comparison of the bronze-level qualified health benefit plans offered in the 2019
12 plan year in which there will be flexibility in the out-of-pocket prescription drug limit established
13 under state law and regulation;

14 (4) Information about the process engaged in by the advisory commission established in
15 this chapter and the information considered to determine modifications to the cost-sharing
16 amounts in all qualified health benefit plans for the 2019 plan year, including prior year
17 utilization trends, feedback from consumers and health insurers, health benefit exchange outreach
18 and education efforts, and relevant national studies;

19 (5) Cost-sharing information for standard qualified health benefit plans from states with
20 federally facilitated exchanges compared to those on the Rhode Island health benefit exchange;
21 and

22 (6) An overview of the outreach and education plan for enrollees in all qualified health
23 benefit plans offered on the Rhode Island health benefit exchange.

24 (b) On or before February 1, 2020, the department of health shall report to the governor,
25 the house of representatives, and the senate:

26 (1) Enrollment trends in all qualified health benefit plans offered on the Rhode Island
27 health benefit exchange; and

28 (2) Recommendations from the advisory commission established pursuant to §5-19.3-7
29 regarding modification of out-of-pocket prescription drug cost limits.

30 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

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1 This act would direct the state board of pharmacy, in collaboration with the department of
2 health, to annually identify up to fifteen (15) prescription drugs on which the state spends
3 significant health care dollars due to increases in costs. This list would be provided to the attorney
4 general's office, and the attorney general's office would require the drug's manufacturers to
5 submit relevant information and documentation to justify these cost increases. The act would also
6 direct the department of health to use the same dispensing fee in its reimbursement formula for
7 340B prescription drugs as it uses to pay for non-340B prescription drugs under the Medicaid,
8 program, and to provide information to the general assembly and the governor about these
9 programs. The act would also establish an advisory commission on out-of-pocket prescription
10 drug costs who would study these costs and make reports and recommendations to the governor
11 and the general assembly.

12 This act would take effect upon passage.

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