

Fiscal Note

Fiscal Services Division



SF 315 – Pharmacy Benefit Manager Reverse Auctions (LSB1499SV.1)
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Fiscal Note Version – Revised (Background, Assumptions, and Fiscal Impact)

Description

Senate File 315 relates to pharmacy benefits manager reverse auctions and group insurance for public employees and does the following:

- Requires the Department of Administrative Services (DAS) to contract with a pharmacy benefits manager (PBM) for the administration of benefits of self-funded public sector health plans in compliance with this Bill and Iowa Code section [8A.311](#).
- Requires the DAS, prior to November 1, 2025, to procure a technology platform to conduct a PBM reverse auction with the capabilities listed in the Bill, including but not limited to cleaning and normalizing PBM data, automating repricing of PBM prescription drug pricing proposals to allow direct comparisons, evaluating proposals, producing an automated report and analysis of PBM bids, and performing a review of invoiced PBM prescription drug claims.
- Requires the operator of the technology platform to provide related services, including but not limited to evaluating the qualifications of PBM bidders and supporting the DAS in comparing pricing of PBM procurement.
- Prohibits the DAS from contracting with a PBM or a vendor that is managed by, or a subsidiary or affiliate of, a PBM for the technology platform.
- Prohibits the awarded vendor from outsourcing any portion of the reverse auction or the review of invoiced PBM prescription drug claims.
- Requires the DAS to specify terms of the participant bidding agreement and to reconcile pharmacy claims with PBM invoices on a regular basis.
- Requires the selected technology platform to be repurposed over the course of the contract to identify all deviations from the terms of the contract.
- Requires the first PBM reverse auction to be completed and the contract awarded with an effective date beginning January 1, 2026. Subsequent contracts must be awarded at least three months, except for a Medicare part D employer group requiring at least six months, prior to the end of the current PBM contract for a covered group.
- Permits self-funded public sector health plans to conduct a PBM reverse auction for the specific self-funded public sector health plan utilizing the technology platform and services selected by the DAS beginning three years after the first contract is awarded.
- Permits the DAS to vacate the outcome of a PBM reverse auction if the lowest-cost bid is not less than the projected cost trend for the incumbent PBM.

The Bill does not apply to nonprofit, nongovernmental health maintenance organizations with respect to managed care plans that provide a majority of covered health care services through a single contracted medical group. The Bill takes effect upon enactment.

Background

Iowa Code section 8A.311 establishes requirements for the DAS in following competitive bidding guidelines when selecting the services of a PBM for the administration of benefits of self-funded public sector health plans. Currently, the State of Iowa Insurance Plan is held by Wellmark and administered by the DAS.

A “self-funded public sector health plan” refers to any group benefit plan under Iowa Code chapter [509A](#), which deals with group insurance for public employees.

“Pharmacy benefits manager reverse auction” is defined in the Bill as a transparent and competitive bidding process conducted online that starts with an open round of bids and allows qualified PBM bidders to counter offer a lower price for as many rounds of bidding as determined by the DAS for a multiple health plan prescription drug purchasing group.

According to Wellmark, the State of Iowa Plan spent approximately \$97.6 million on pharmacy costs in 2024, excluding claims incurred but unpaid as of February 11, 2025.

Assumptions

- The first PBM reverse auction only applies to health insurance plans that DAS administers and does not apply to the Board of Regents.
- Three years after the first service contract is awarded to a PBM, self-funded public sector health plans will have the option to conduct a PBM reverse auction using the technology platform and services selected by the DAS. If the self-funded public sector health plan opts to award a new contract, there may be an associated fiscal impact, but the amount cannot be determined.

Fiscal Impact

According to the DAS, the base contract for a technology platform to conduct a PBM reverse auction and the operator of the platform to provide related services is estimated to cost \$629,000 in the first year, and \$315,000 in each consecutive year.

According to the DAS, it is anticipated that the results of the PBM reverse auction will reduce pharmacy spend by the State of Iowa Plan, but the amount cannot be determined.

Sources

Board of Regents
Department of Administrative Services
Wellmark

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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