

1 AN ACT relating to the state employee health plan.

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

3 ➔Section 1. KRS 18A.2258 is amended to read as follows:

4 (1) (a) **Except as provided in paragraph (b) of this subsection,** by December 31,
5 2022, the secretary of the Finance and Administration Cabinet shall, upon the
6 recommendation of the secretary of the Personnel Cabinet and in accordance
7 with KRS Chapter 45A, select and ~~enter into a~~ contract **with,** the effective
8 date of which shall not be later than January 1, 2023, ~~with~~ a single
9 independent entity for the purpose of monitoring all pharmacy benefit claims
10 for every individual enrolled in the Public Employee Health Insurance
11 Program.

12 (b) **In addition to or in lieu of the contract in paragraph (a) of this subsection,**
13 **the secretary of the Finance and Administration Cabinet shall, upon the**
14 **recommendation of the secretary of the Personnel Cabinet and in**
15 **accordance with KRS Chapter 45A, select and contract with a single**
16 **independent entity for the purpose of monitoring all health care service**
17 **benefit claims, which shall include pharmacy benefit claims if the contract**
18 **is in lieu of the contract in paragraph (a) of this subsection, for every**
19 **individual enrolled in the Public Employee Health Insurance Program.**

20 (c) **Any**~~[A]~~ contract entered into pursuant to this subsection shall:

- 21 1. Not be for a term longer than two (2) years but may be renewed for like
22 or lesser periods; and
- 23 2. Limit compensation paid to the contracted entity **or entities** to not more
24 than thirty percent (30%) of the total savings generated by the
25 contracted entity **or entities** as determined by the Personnel Cabinet.

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

- 1 (a) Be capable of performing the analysis of ~~pharmacy~~ benefit claims to
2 validate accuracy and identify errors in near real time;
- 3 (b) Not be an entity that performs annual retroactive audits of ~~pharmacy~~ benefit
4 claims for the Public Employee Health Insurance Program; and
- 5 (c) Not be affiliated by common parent company or holding company, share any
6 common members of the board of directors, or share managers in common
7 with:
- 8 1. An insurer contracted pursuant to KRS 18A.225;
- 9 2. A third-party administrator contracted pursuant to KRS 18A.2254; or
- 10 3. A pharmacy benefit manager contracted by:
- 11 a. The Personnel Cabinet;
- 12 b. An insurer contracted pursuant to KRS 18A.225; or
- 13 c. A third-party administrator contracted pursuant to KRS 18A.2254.
- 14 (3) The entity **or entities** contracted pursuant to subsection (1) of this section shall:
- 15 (a) Be granted full access to:
- 16 1. Any contract awarded to a **third-party administrator or** pharmacy
17 benefit manager for the purpose of administering ~~pharmacy~~ benefits in
18 the Public Employee Health Insurance Program and all pertinent
19 reference documents within that contract, including but not limited to
20 any **pharmacy** price lists or specialty drug price lists which shall be
21 provided to the monitoring entity **or entities** contracted pursuant to this
22 section by the Personnel Cabinet and which shall be updated by the
23 Personnel Cabinet within five (5) days of the effective date of any
24 pricing changes;
- 25 2. Any other contract that defines **an insurer's, third-party**
26 **administrator's, or** ~~a~~ pharmacy benefit manager's obligations and
27 responsibilities as it relates to processing Public Employee Health

- 1 Insurance Program~~[pharmacy]~~ benefit claims, including any contract
2 between ~~a~~^{the} pharmacy benefit manager and an insurer contracted
3 pursuant to KRS 18A.225 or a third-party administrator contracted
4 pursuant to KRS 18A.2254; and
- 5 3. Invoices and unaltered claims files associated with benefits under the
6 Public Employee Health Insurance Program~~[pharmacy benefits]~~;
- 7 (b) Analyze one hundred percent (100%) of invoices or claims submitted for
8 payment by the Public Employee Health Insurance Program. The entity or
9 entities shall not utilize statistical sampling methods in lieu of analyzing all
10 invoices and claims;
- 11 (c) Identify and correct errors in~~[pharmacy]~~ benefit claims in order to avoid or
12 reduce erroneous overpayments by an insurer contracted pursuant to KRS
13 18A.225, a third-party administrator contracted pursuant to KRS 18A.2254, or
14 a pharmacy benefit manager contracted to administer pharmacy benefits in the
15 Public Employee Health Insurance Program;
- 16 (d) Identify underpayments made by an insurer contracted pursuant to KRS
17 18A.225, a third-party administrator contracted pursuant to KRS 18A.2254, or
18 a pharmacy benefit manager contracted to administer pharmacy benefits in the
19 Public Employee Health Insurance Program;
- 20 (e) Identify inappropriate or erroneous fees imposed by an insurer contracted
21 pursuant to KRS 18A.225, a third-party administrator contracted pursuant to
22 KRS 18A.2254, or a pharmacy benefit manager contracted to administer
23 pharmacy benefits in the Public Employee Health Insurance Program; and
- 24 (f) ~~[Beginning on April 30, 2023, and quarterly thereafter,]~~Submit a quarterly
25 report to the Legislative Research Commission. The report shall include a
26 summary of the analysis and errors identified pursuant to paragraphs (c), (d),
27 and (e) of this subsection during the previous quarter.

- 1 (4) The entity or entities contracted pursuant to subsection (1) of this section shall not
2 perform drug utilization reviews and shall not exercise any authority over the
3 provision of health care benefits for Medicare eligible retirees.
- 4 (5) The analysis of claims and the identification of potential errors required by
5 subsection (3)(b), (c), and (d) of this section shall:
- 6 (a) Occur prior to the due date of each claim or invoice submitted by an insurer
7 contracted pursuant to KRS 18A.225, a third-party administrator contracted
8 pursuant to KRS 18A.2254, or a pharmacy benefit manager contracted to
9 administer pharmacy benefits in the Public Employee Health Insurance
10 Program or within five (5) days of receipt of the claim or invoice, whichever
11 is later; and
- 12 (b) Consider at least the following:
- 13 1. Compliance with all relevant administrative regulations promulgated by
14 the Personnel Cabinet;
- 15 2. Compliance with all state and federal laws relating to or applicable to
16 the Public Employee Health Insurance Program;
- 17 3. Compliance with any contract with an insurer, third-party
18 administrator, or ~~between a~~ pharmacy benefit manager ~~and the~~
19 ~~Personnel Cabinet, an insurer contracted pursuant to KRS 18A.225, or a~~
20 ~~third party administrator contracted pursuant to KRS 18A.2254~~; and
- 21 4. The market competitiveness of ~~pharmacy~~ benefit payments, including
22 the adequacy of payments to pharmacies and other health care
23 providers.
- 24 (6) The Personnel Cabinet may promulgate administrative regulations necessary to
25 carry out this section.
- 26 ➔Section 2. The first quarterly report due under subsection (3)(f) of Section 1 of
27 this Act shall be due on April 30, 2023.