



## Summary of “Maximum Allowable Cost” Legislation (SB 125)

The bill addresses the mechanism by which pharmacy benefit managers (PBMs) establish pharmacy reimbursement for generic drugs. It requires transparency as to how these prices are determined and requires notice to pharmacies when changes in reimbursement are made. The bill basically requires PBMs to let pharmacies know how much they will be reimbursed for generic drugs, both specifically and on the average. The bill also requires PBMs to make timely adjustments to the pricing as fluctuations occur in the generic drug marketplace. It requires PBMs to establish an appeals process and requires PBMs to respond to appeals in a timely manner (7 days). Another key provision is the requirement that Medicaid managed care organizations provide pricing information to pharmacies just as the traditional Medicaid program has historically done. Click [here](#) for the full bill.

### Section 1: Definitions

- (2) “Maximum Allowable Cost” (MAC) is broadly defined to cover “any similar reimbursement methodology used by PBMs to reimburse pharmacies for multiple source drugs.”
- (6) “Pharmacy Benefit Manager” is also broadly defined to include any entity that contracts to provide pharmacy benefits or administration.

### Section 2

- (1) Allows a PBM to establish a MAC only after the generic exclusivity period ends and only when three or more multiple source generics are available.
- (2) Requires that the MAC be based on nationally recognized data sources and that the products be available for purchase locally.
- (3) Requires the pharmacy benefit manager to:
  - a) Identify the pricing data used in the establishment of MACs.
  - b) Notify pharmacies 30 days prior to the implementation or discontinuation of a MAC.
  - c) Adjust MACs at least weekly if generic prices change.
  - d) Provide an appeal process; Provide a reason for a denial of an appeal and require notification of where the pharmacy can purchase the product at or below the MAC price.
  - e) Allow for retroactive payment adjustments.
  - f) Update pricing files weekly.

### Section 3:

Requires all PBM contracts to establish an average reimbursement rate for generics (Generic Effective Rate).

### Section 4:

Requires managed care organizations providing services to Medicaid to make their MAC price list available to contracted pharmacies.