



State of Wisconsin  
2021 - 2022 LEGISLATURE

LRB-0585/P3  
EKL:cdc

DOA:.....Lessner, BB0172 - Licensing of pharmacy services administration organizations

**FOR 2021-2023 BUDGET -- NOT READY FOR INTRODUCTION**

**AN ACT** ...; **relating to:** the budget.

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*Analysis by the Legislative Reference Bureau*

**INSURANCE**

***Pharmacy services administrative organizations***

This bill requires that pharmacy services administrative organizations (PSAOs) be licensed by OCI. Under the bill, a PSAO is an entity operating in Wisconsin that does all of the following:

1. Contracts with an independent pharmacy to conduct business on the pharmacy's behalf with a third-party payer.
2. Provides at least one administrative service to an independent pharmacy and negotiates and enters into a contract with a third-party payer or pharmacy benefit manager on the pharmacy's behalf.

The bill defines "independent pharmacy" to mean a licensed pharmacy operating in Wisconsin that is under common ownership with no more than two other pharmacies. "Administrative service" is defined to mean assisting with claims or audits, providing centralized payment, performing certification in a specialized care program, providing compliance support, setting flat fees for generic drugs, assisting with store layout, managing inventory, providing marketing support, providing management and analysis of payment and drug dispensing data, or providing resources for retail cash cards. The bill defines "third-party payer" to mean an entity

operating in Wisconsin that pays or insures health, medical, or prescription drug expenses on behalf of beneficiaries. The bill uses the current law definition of “pharmacy benefit manager,” which is an entity doing business in Wisconsin that contracts to administer or manage prescription drug benefits on behalf of an insurer or other entity that provides prescription drug benefits to state residents.

To obtain the license required by the bill, a person must apply to OCI and provide the contact information for the applicant and a contact person, evidence of financial responsibility of at least \$1,000,000, and any other information required by the commissioner. Under the bill, the license fee is set by the commissioner and the term of a license is two years.

The bill also requires that a PSAO disclose to OCI the extent of any ownership or control by an entity that provides pharmacy services; provides prescription drug or device services; or manufactures, sells, or distributes prescription drugs, biologicals, or medical devices. The PSAO must notify OCI within five days of any material change in its ownership or control related to such an entity.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

**SECTION 1.** 601.31 (1) (nw) of the statutes is created to read:

601.31 (1) (nw) For issuing or renewing a license to a pharmacy services administrative organization under s. 632.864, an amount to be set by the commissioner by rule.

**SECTION 2.** 632.864 of the statutes is created to read:

**632.864 Pharmacy services administrative organizations. (1)**

DEFINITIONS. In this section:

(a) “Administrative service” means any of the following:

1. Assisting with claims.
2. Assisting with audits.
3. Providing centralized payment.
4. Performing certification in a specialized care program.
5. Providing compliance support.

6. Setting flat fees for generic drugs.
7. Assisting with store layout.
8. Managing inventory.
9. Providing marketing support.
10. Providing management and analysis of payment and drug dispensing data.
11. Providing resources for retail cash cards.

(b) “Independent pharmacy” means a pharmacy operating in this state that is licensed under s. 450.06 or 450.065 and is under common ownership with no more than 2 other pharmacies.

(c) “Pharmacy benefit manager” has the meaning given in s. 632.865 (1) (c).

(d) “Pharmacy services administrative organization” means an entity operating in this state that does all of the following:

1. Contracts with an independent pharmacy to conduct business on the pharmacy’s behalf with a 3rd-party payer.

2. Provides at least one administrative service to an independent pharmacy and negotiates and enters into a contract with a 3rd-party payer or pharmacy benefit manager on behalf of the pharmacy.

(e) “Third-party payer” means an entity, including a plan sponsor, health maintenance organization, or insurer, operating in this state that pays or insures health, medical, or prescription drug expenses on behalf of beneficiaries.

**(2) LICENSURE.** (a) A person may not operate as a pharmacy services administrative organization in this state without a pharmacy services administrative organization license. In order to obtain a license, a person shall apply to the commissioner in the form and manner prescribed by the commissioner. The application shall include all of the following:

1. The name, address, telephone number, and federal employer identification number of the applicant.

2. The name, business address, and telephone number of a contact person for the applicant.

3. The fee under s. 601.31 (1) (nw).

4. Evidence of financial responsibility of at least \$1,000,000.

5. Any other information required by the commissioner.

(b) The term of a license issued under par. (a) shall be 2 years from the date of issuance.

**(3) DISCLOSURE TO THE COMMISSIONER.** (a) A pharmacy services administrative organization shall disclose to the commissioner the extent of any ownership or control of the pharmacy services administrative organization by an entity that does any of the following:

1. Provides pharmacy services.

2. Provides prescription drug or device services.

3. Manufactures, sells, or distributes prescription drugs, biologicals, or medical devices.

(b) A pharmacy services administrative organization shall notify the commissioner in writing within 5 days of any material change in its ownership or control relating to an entity described in par. (a).

**(4) RULES.** The commissioner may promulgate rules to implement this section.

**(END)**