



DOA:.....Lessner, BB0052 - PSAO Licensure

FOR 2025-2027 BUDGET -- NOT READY FOR INTRODUCTION

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

Analysis by the Legislative Reference Bureau

INSURANCE

Pharmacy services administrative organizations

This bill requires that a pharmacy services administrative organization (PSAO) 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 Wisconsin 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 of insurance. 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

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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.

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 as 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.

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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 with a 3rd-party payer on the independent pharmacy’s behalf.

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 independent 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) Beginning on the first day of the 12th month beginning after the effective date of this paragraph [LRB inserts date], no person may operate as a pharmacy services administrative organization without being licensed by the commissioner as a pharmacy services administrative organization under this subsection. In order to obtain a license under this paragraph, the person shall

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apply to the commissioner in the form and manner prescribed by the commissioner.

The application for licensure under this paragraph 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.

(c) A license issued under par. (a) may be renewed. Renewal applications shall be submitted to the commissioner on a form provided by the commissioner and shall include all the items described in par. (a) 1. to 5. A renewal application under this paragraph may not be submitted more than 90 days prior to the end of the term of the license being renewed.

****NOTE: I provided a basic renewal provision to clarify that licenses are renewed under the same process as initial licensure under par. (a). Please let me know if you have any questions or if this is not consistent with your intent.

(3) DISCLOSURE TO THE COMMISSIONER. (a) A pharmacy services administrative organization licensed under sub. (2) 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.

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

(b) A pharmacy services administrative organization licensed under sub. (2) 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)