

## **BILL ANALYSIS**

Senate Research Center  
79R6368 AJA-D

S.B. 1845  
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As Filed

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

Currently, a pharmacy benefit manager (PBM) may conduct audits of pharmacies distributing prescription drugs. The guidelines established by Generally Accepted Accounting Principles (GAAP) in the United States provide objective parameters for these audits. Recovering money owed to the PBM before audit results, including audit challenges, may impose an unfair financial burden on these pharmacies. Additionally, abuse of extrapolation calculations may result in inaccurate findings.

As proposed, S.B. 1845 requires GAAP to be utilized in audits of pharmacies distributing prescription drugs, prohibits financial recovery before final audit results, and prohibits extrapolation calculations in audits of pharmacies.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 4151.154, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter D, Chapter 4151, Insurance Code, as effective April 1, 2005, by adding Section 4151.154, as follows:

Sec. 4151.154. AUDIT PRACTICES. (a) Authorizes audit practices used by a pharmacy benefit manager to consist only of methods and procedures that are recognized as equitable to the pharmacy benefit manager and the pharmacy audited. Requires the commissioner of insurance (commissioner) to adopt rules as necessary to implement this subsection.

(b) Prohibits a pharmacy benefit manager from recovering money owed by a pharmacy to the pharmacy benefit manager, as shown by an audit of the pharmacy, by reducing payments to the pharmacy from the pharmacy benefit manager before the audit results, including any challenges to the audit, are final and unappealable.

(c) Prohibits a pharmacy benefit manager from using extrapolation calculations in an audit of a pharmacy.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2005.