

**PHARMACY BENEFIT MANAGER PAYMENTS
DISCLOSURES RECEIVED PURSUANT TO
N.D. CENT. CODE § 26.1-27.1-06(2) AND BULLETIN 2006-2**

Presented by: Charles E. Johnson
North Dakota Insurance Department

Before: Industry, Business and Labor Committee
Senator Karen Krebsbach, Chairman

Date: August 29, 2006

TESTIMONY

Requirement:

- N.D. Cent. Code § 26.1-27.1-06(2) requires that a “covered entity” disclose annually to the Commissioner the benefits of a “payment received by a PBM” under any contract with a PBM and describe the manner in which the payment is applied toward reducing rates or is distributed to covered individuals. Subsection 3 requires that the information be considered trade secret under N.D. Cent. Code Chapter 47-25.1.
- Bulletin 2006-2 defines the date of filing the disclosure as March 1 for the benefits received during the previous year. The report for 2005 required the reporting of benefits received after August 1, 2005, the date the law became effective.

Disclosures:

- 43 insurers submitted a response:

	<u>No. of Insurers</u>
Not a “covered entity”	19
No payments from a PBM	9
Immaterial payments (less than \$3,700)	12
Material payments from PBM	<u>3</u>
Total	43

- Examination of Noridian is currently in progress. Procedures to verify disclosure will be performed. Examination workpapers are confidential. Any material finding would be included in the exam report.

- Explanations of how rebates are applied:

6 insurers indicate that rebates are used to reduce administrative expenses associated with providing health insurance to members and the reduction in administrative expenses contributes to a reduction in premium paid by the members.

8 insurers indicate that rebates are factored into the insurer's rate increase/decrease calculations.