

Minnesota HF 1075/SF 1877 Will Cost the State Over \$1.6 Billion In Increased Prescription Drug Costs

The core mission of pharmacy benefit managers (PBMs) is to reduce prescription drug costs for health plan sponsors so that consumers have affordable access to needed prescription drugs. PBMs offer a variety of services to their health plan sponsor clients and patients that improve prescription adherence, reduce medication errors, and manage drug costs.

The proposed Minnesota legislation will seriously undermine the ability of PBMs to control drug costs and as a result, drug spending in Minnesota will soar. The proposed legislation includes a provision to require rebates to be given to patients at the pharmacy counter. Although some of the provisions are subject to interpretation, enacting just the bill provisions discussed below could cost the state of Minnesota almost **\$135 million in excess drug spending** in the first year alone and over **\$1.6 billion** over the next 10 years.

HF 1075 would require rebates to be given to patients at point-of-sale (POS).

- Drug rebates are price concessions negotiated by PBMs that reduce the net cost of providing prescription drug coverage. Typically, rebates are paid by brand drug companies to PBMs. PBMs share the negotiated rebates, in whole or in large part, with the plan sponsors. Employers may contract for their PBM to retain a portion of their rebates as compensation for their services and to help with cash flow. The plan sponsor typically uses the value of rebates to reduce costs to patients or to enhance their benefits.
- A “point-of-sale” rebate is when the value of a rebate, instead of going to the plan to reduce costs benefitting all patients, goes directly to offset an individual patient’s cost share for that drug (i.e., “at the point of sale”). POS rebates are likely estimates of rebates, because the final amount of a rebate typically is not calculated until the end of a set period (quarterly, annually, etc.), well after the day the patient picked up the drug.
- Rebates are the primary way that plan sponsors reduce the net cost of drugs for patients. While not a perfect system, when there is competition available, rebates can save patients a significant amount of money. POS rebates create a mandatory disclosure of the value of rebates. The Federal Trade Commission¹ and the Congressional Budget Office² have concluded that legislation resulting in the disclosure of rebates could lead to tacit collusion among manufacturers resulting in higher costs.

Projected 10-Year Increases in Prescription Drug Spending in Minnesota, 2025–2034 (millions)

	Self-Insured Group Market	Fully Insured Group Market	Individual Direct Purchase Market	Total
Implement POS Rebates	\$972	\$566	\$139	\$1,677

Methodology: The methodology used to create these cost projections was that used by Visante in the January 2023 paper [“Increased Costs Associated With Proposed State Legislation Impacting PBM Tools.”](#)

¹ FTC and DOJ. [“Improving health care: a dose of competition.”](#) 2004

² Letter to Rep. Joe Barton and Rep. Jim McCrery, U.S. House of Representatives, Congressional Budget Office, Mar. 12, 2007