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SENATE BILL NO. 668

Offered January 14, 2026

A BILL to amend and reenact § 32.1-325.5 of the Code of Virginia, relating to state pharmacy benefits manager; contractual provisions; dispensing fee increases; report.

Patron—Rouse

Referred to Committee on Education and Health

Be it enacted by the General Assembly of Virginia:

1. That § 32.1-325.5 of the Code of Virginia is amended and reenacted as follows:

§ 32.1-325.5. State pharmacy benefits manager.

A. As used in this section:

"Pharmacy benefits manager" means the same as that term is defined in § 38.2-3465.

"Spread pricing" means the model of prescription drug pricing in which the pharmacy benefits manager charges a managed care plan a contracted price for prescription drugs, and the contracted price for the prescription drugs differs from the amount the pharmacy benefits manager directly or indirectly pays the pharmacist or pharmacy for pharmacist services.

"State pharmacy benefits manager" means the pharmacy benefits manager contracted by the Department pursuant to this section to administer pharmacy benefits for all Medicaid recipients in the Commonwealth.

B. By July 1, 2026, the Department shall select and contract with a single third-party administrator to serve as the state pharmacy benefits manager to administer all pharmacy benefits for Medicaid recipients, including those enrolled in a managed care organization by such date with whom the Department contracts for the delivery of Medicaid services. Each managed care contract entered into or renewed by the Department for the delivery of Medicaid services by a managed care organization shall require the managed care organization to contract with and utilize the state pharmacy benefits manager for the purpose of administering all pharmacy benefits for Medicaid recipients enrolled with the managed care organization. Notwithstanding the provisions of § 38.2-3470, the state pharmacy benefits manager shall adhere to subdivision A 5 of § 38.2-3467 unless otherwise prohibited by federal law.

C. The Department's contract with the state pharmacy benefits manager shall:

1. Establish the state pharmacy benefits manager's fiduciary duty owed to the Department;

2. Require the use of pass-through pricing;

3. Require the state pharmacy benefits manager to use the common formulary, reimbursement methodologies, and dispensing fees negotiated by the Department, *and require that ingredient-cost reimbursement is based on the national average drug acquisition cost, or if unavailable, the wholesale acquisition cost minus a discount set by the Department, plus a professional dispensing fee, determined by the Department*;

4. Require *real-time or near real-time* transparency in drug costs, rebates collected and paid, dispensing fees paid, administrative fees, ~~and~~ all other charges, fees, costs, and holdbacks, *claim denials appeals, and network participation*; ~~and~~

5. Prohibit the use of spread pricing*;*

6. Prohibit the state pharmacy benefits manager from steering Medicaid recipients to affiliated pharmacies through differential cost-sharing, restrictive network design, or the mandatory use of a mail order pharmacy provider;

7. Require the state pharmacy benefits manager to:

a. Meet network adequacy standards established by the Department based on geographic access, travel time, and availability of retail community pharmacies;

b. Allow any appropriately licensed pharmacy that agrees to the terms of a provider contract to participate in the pharmacy network under the same terms, conditions, and reimbursement methodologies, as any other pharmacy participating in the network;

c. Verify that all contracted pharmacies are actively accepting Medicaid recipients and to maintain accurate directory information;

d. Submit annual reports to the Department that contain the information described in subsection B of § 38.2-3468;

e. Disclose to the Department pricing and maximum acquisition cost methodologies, including a detailed explanation of how pharmacy reimbursement amounts are calculated, updated, and adjusted; and

f. Allow invoice-based or national average drug acquisition cost-based appeals and require an adjustment of rates network-wide when an appeal is upheld; and

8. Include enforcement mechanisms and monetary penalties for noncompliance.

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D. The Department shall annually calculate the savings generated by the use of the state pharmacy benefits manager, which are the documented reduction in Medicaid pharmacy spending resulting from such use, including administrative consolidation, improved pricing accuracy through the use of the national average drug acquisition cost-based reimbursement, reduced overhead, greater transparency, and elimination of duplicative managed care organization pharmacy benefits manager contracts.

E. The Department shall annually increase its dispensing fee such that the Department's total annual amount spent on dispensing fees is increased by the amount calculated by the Department in accordance with subsection D. The Department shall annually publish and make available on its website its annual and total savings achieved, the annual and total amount applied to dispensing fees increases, and the updated dispensing fees.

F. The Department shall report by September 30 of each year to the General Assembly on the state pharmacy benefits manager's compliance with the provisions of this section, national average drug acquisition cost compliance, pharmacy reimbursement trends, network adequacy compliance, and dispensing fee sufficiency.