



KIM REYNOLDS
GOVERNOR

OFFICE OF THE GOVERNOR

ADAM GREGG
LT GOVERNOR

June 16, 2021

The Honorable Paul Pate
Secretary of State of Iowa
State Capitol
Des Moines, Iowa 50319

Dear Mr. Secretary,

I hereby transmit House File 891, an Act relating to appropriations for health and human services and veterans and including other related provisions and appropriations, providing penalties, and including effective date and retroactive and other applicability date provisions.

Section 31 of House File 891 directs the Department of Human Services to establish a fee-for-service pharmacy dispensing fee reimbursement at \$10.38 per prescription for the fiscal year beginning July 1, 2021. This figure represents an increase from the current rate of \$10.07. The legislation also directs DHS to amend Medicaid managed care organization contracts in either of two ways: reflect the new \$10.38 rate, or permit the managed care organization to agree upon a lower reimbursement rate, not to exceed \$10.38 per prescription, with any participating pharmacy having more than thirty locations within the state but headquarters outside the state.

I recognize that a policy which permits the state's Medicaid managed care organizations to reach a mutually agreeable dispensing fee with pharmacies located across the state would likely result in a slight cost savings for the state Medicaid program. However, at the same time, it creates inconsistency between Iowa's pharmacies large and small and has the potential to drive business from local Iowa pharmacies. And I agree with industry stakeholders that as applied, the policy raises significant constitutional concerns regarding the regulation of interstate commerce and discrimination against out-of-state businesses.

Nothing within the plain language of Section 31 requires DHS to amend current contracts to include this policy and, therefore, it is unnecessary for me to formally disapprove of that language. However, for the reasons cited, I cannot agree that such a policy is in the best interest of Iowans. Instead, I hereby direct DHS to amend current contracts to authorize a rate of \$10.38 per prescription across-the-board under Section 31 of House File 891.

The above House File is hereby approved on this date.

Sincerely,

A handwritten signature in black ink that reads "Kim Reynolds".

Kim Reynolds
Governor of Iowa

cc: Secretary of the Senate
Clerk of the House