STATEMENT

OF

RONNA HAUSER

NATIONAL COMMUNITY PHARMACISTS ASSOCIATION

SUBMITTED TO

PENNSYLVANIA

SENATE BANKING AND INSURANCE COMMITTEE

AT A HEARING

ON

SENATE BILL 616

JUNE 9th, 2009

On behalf of the National Community Pharmacists Association ("NCPA"), I would like to thank you for the opportunity to present testimony in support of Pennsylvania Senate Bill Number 616, as the legislation protects the freedom of patients to choose their preferred delivery channel for purchasing prescription drugs. There is very strong reason to believe that the proposed legislation will effectively lower prescription drug costs by creating more transparency to ensure that pharmacy benefit managers (PBMs) work fully within the interests of plan sponsors and patients. My name is Ronna Hauser and I am the Vice President of Policy and Regulatory Affairs for NCPA.

NCPA represents the nation's independent community pharmacists, including the owners of more than 23,000 pharmacies. These pharmacists use their expertise and training to provide a valuable service to their patients and work to promote patient-centered care that improves quality of health, and reduces overall health care costs by optimizing the value patients gain from their prescription drug regimens.

Our members in Pennsylvania and across the country, along with the overwhelming majority of patients, are opposed to mandatory mail order requirements. NCPA greatly supports the right of the patient to choose whether they receive their prescription drugs through a community pharmacy or through a mail order pharmacy. This freedom of choice is valuable to patients, as opinion polls conducted by Wirthlin Worldwide on behalf of the National Association of Chain Drug Stores, demonstrates that over 70% of patients are opposed to mandatory mail order plans.[1] Senate Bill 616 gives patients in Pennsylvania freedom of choice and allows patients to choose between a community and mail order pharmacy based upon individual needs.

Due to the large volume of prescriptions that are managed by PBMs in the state of Pennsylvania, more transparency of these intermediaries will provide substantial savings to patients and plan sponsors. There are two markets for prescription drug pricing. The first market is where the PBM and the plan sponsor negotiate regarding how much the plan sponsor will pay the PBM for prescriptions dispensed to patients covered under that plan.

The second market is between the PBM and the pharmacy network, where the PBMs are able to set the rates that community pharmacies will be reimbursed for dispensing medication to the patient under that health plan. Due to inadequate transparency regarding PBMs, they are able to engage in "spread pricing" where they charge the plan sponsor a rate substantially higher than what is paid to the pharmacy for services rendered. These spreads can vary dramatically on individual prescription drugs, and represent a substantial additional cost to plan sponsors that provide no added value to the health of patients.

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[1] Wirthlin Worldwide Foundation. "Attitudes About Mandatory Mail Order Pharmacy." Nov. 2003, National Association of Chain Drug Stores

Enclosed with this testimony is an article published by the Creighton University Medical Center, titled "Spread Pricing in the Prescription Benefit."[2] This document provides examples from actual claims data for four different employers, detailing the spreads charged by PBMs for a sample of prescription drugs. As an example, looking at atenolol, a blood pressure drug, the PBM charged the plan sponsor $80, but paid the pharmacy only $7, creating a spread of $73, equal to 91% of the entire cost that the PBM charged the plan sponsor. In another example, the PBM charged the plan sponsor $104 for propoxyphene, a pain medicine, but only paid the pharmacy $40, creating a spread of $64, equal to 62% of the entire cost. It is important to note that the plan sponsor is not made aware of the spread and is charged an administrative fee by the PBM on top of that. These serve as but two examples of the wide variability that can exist when analyzing spread pricing, however, there are multiple peer-reviewed studies and commentaries from many experts demonstrating this same wide range in spread prices, thus indicating the need for transparency. The proposed legislation will eliminate these inflated costs by mandating that the PBM cannot reimburse the pharmacy less than they are billing the payor for covered medications.

Plan sponsors will also realize additional health care savings through the proposed legislation, by mandating that PBMs keep a verifiable and transparent account of all rebates received from pharmaceutical manufacturers. Due to inadequate transparency it is difficult to know the amount of revenue collected by PBMs from pharmaceutical manufacturers, making it difficult to ensure that these payments are passed onto the plan sponsor. As an example, according to Winkelman management Consulting, in 2004 Medco collected over $3 billion in revenue from pharmaceutical manufacturers through prescription drug rebates, but failed to pass along $1.3 billion (44%) of this revenue to their

[2] Garis RI, Mohammad A. "Mail-order prescription pricing: a critical examination." Creighton University Medical Center School of Pharmacy and Health Professions.

plan sponsors.[3] Also, poorly drafted PBM/client contracts give PBMs undue influence on audits in many cases. PBMs generally restrict the number of rebate agreements that can be audited. This bill serves to end these types of practices.

There are also the additional costs associated with mail order pharmacies. One study from the University of Arkansas has demonstrated that prescriptions purchased through mandatory mail order plans create 3.3 times more prescription drug waste.[4] This occurs due to ordering in bulk even though the patient may be taking less of their medication than originally prescribed, or because the prescription may be changed by the physician before the entire 90 day supply has been utilized. There is also the issue of patient safety, as prescription drugs purchased through the mail may not be delivered on time, can be exposed to extreme temperatures, or the delivery may not provide the patient with the complete information necessary to use the medication correctly.

There is also the issue of quality of service and the value of face-to-face interaction between pharmacists and their patients. Pharmacists are trained to provide medication therapy management programs to help patients optimize the value of their medications through encouraging patients to use their prescription drugs correctly. Mirixa, a medication therapy management company committed to patient care services, has performed their own internal analysis of claims data from 74,000 patients. Mirixa found that the average MTM intervention performed by a retail pharmacy was able to provide average savings to the plan sponsor and patient of $34 per intervention, compared to an average of $1 savings per MTM intervention done through educational mailings. It is interesting to note that even

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[3] Winkelman Management Consulting. April 2005.

[4] Halberg DL, Smith E, and Sedlacek K. "Effect of Mail Order Pharmacy Incentives on Prescription Plan Costs." University of Arkansas for Medical Sciences College of Pharmacy, October 2000

one of the top 3 PBMs, CVS/Caremark, has stated in their company's 2009 annual report that, "the vast majority of patients prefer to get their information through face-to-face interaction at the pharmacy."[5]

In conclusion, NCPA supports the proposed legislation as it is a correct step in protecting the right of the patient to choose their preferred pharmacy and in promoting much needed transparency of PBMs.

Thank you for the opportunity to comment.

[5] CVS/Caremark. Health Outcomes: CVS Caremark Corporation 2008 Annual Report.