



April 6, 2015

TO: MEMBERS OF THE HOUSE HEALTH CARE COMMITTEE

FROM: OSPA/OSHP

RE: HB 2875

The Oregon State Pharmacy Association (OSPA) and Oregon Society of Health-Systems Pharmacists (OSHP) urge your approval of the amendments to HB 2875 which would help ensure compliance with the original intent of legislation passed in 2013 to regulate several practices of pharmacy benefit managers.

What is a PBM?

A pharmacy benefit manager (PBM) is most often a third party administrator (TPA) of prescription drug programs but sometimes can be a service inside of an integrated healthcare system (e.g.: Kaiser or VA). They are primarily responsible for processing and paying prescription drug claims. They also are responsible for developing and maintaining the formulary, contracting with pharmacies, and negotiating discounts and rebates with drug manufacturers. Today, more than 210 million Americans nationwide receive drug benefits administered by PBMs.

PBMs are little known to consumers except as names on the drug cards in our wallets. The roles of PBMs have expanded from simply handling prescription billing about 15 years ago to deciding which drugs insurers cover, what they cost and how much pharmacies are reimbursed for them

Scope of PBMs

PBMs aggregate the buying clout of millions of enrollees through their client health plans, enabling plan sponsors and individuals to obtain lower prices for their prescription drugs through price discounts from retail pharmacies, rebates from pharmaceutical manufacturers, and the efficiencies of mail-service pharmacies. PBMs also use clinical tools aimed at reducing inappropriate prescribing by physicians, reducing medication errors, and improving consumer compliance and health outcomes

Competition Among PBMs

Currently, in the United States, a majority of the large managed prescription drug benefit expenditures are conducted by about 60 PBMs. While many PBMs are independently owned and

operated, some are subsidiaries of managed care plans, major chain drug stores, or other retail outlets. PBMs compete to win business by offering their clients administrative and clinically based services, which manage drug spending by enhancing price competition and increasing the cost-effectiveness of medications.

In 2012, the five largest PBMs were:

1. Express Scripts
2. CVS Health
3. Prime Therapeutics
4. United Health/OptumRx
5. Catamaran Corporation

Oregon Legislative History Surrounding PBMs

During the 2013 Legislative Session, the legislature unanimously passed [HB 2123](#), which required pharmacy benefit managers to register with Department of Consumer and Business Services. The bill imposed restrictions on audits of pharmacies by PBMs and other entities. The bill also placed restrictions on use of maximum allowable cost pricing index by pharmacy benefit managers.

A “Maximum allowable cost” or “MAC” list generally refers to a payer or PBM generated list of products that includes the upper limit or maximum amount that a plan will pay for generic drugs and brand name drugs that have generic versions available (multi-source brands). However, there is no standardization in the industry as to the criteria for the inclusion of drugs on MAC lists or for the methodology as to how the maximum price is determined, changed or updated.

The lack of standardization has led many PBMs to use their MAC lists to generate significant revenue for the PBM. Typically, they utilize an aggressively low MAC price list to reimburse their contracted pharmacies and a different, higher list of prices when they sell to their clients or plan sponsors. Essentially, the PBMs reimburse low and charge high with their MAC price lists, pocketing the significant spread between the two prices.

This Session, [HB 2875](#) seeks to enhance compliance with the legislation that was passed in 2013. The -1 amendments would replace the placeholder language in the current bill and would provide more clarity in the statutory requirements as well as penalties for failing to comply. For example, it would require that the MAC lists be provided in a timely fashion and that the PBMs actually utilize the updated MAC lists for the pharmacy reimbursements. It would expand the definition of pharmacy network to include Pharmacy Services Administrative Organizations, a third party entity that provides additional services for pharmacies.

In a world where the delivery of cost-effective patient care is critical, please help Oregon’s pharmacies by passing the -1 amendments to HB 2875 which would help level the playing field.