May 15, 2017

The Honorable Sam Kito
Chair House Labor and Commerce Committee
State Capitol, Room 124
Juneau, AK 99801

RE: House Bill 240 – Relating to Pharmacy Benefit Managers – Please Oppose

Dear Senator Kito,

Aetna is writing to respectfully oppose HB 240, Relating to Pharmacy Benefit Managers. HB 240 creates costly and unnecessary regulation. Aetna uses Pharmacy Benefit Managers to balance both the health needs of our members and the practical needs of businesses.

Issues of concern with HB 240 include furthering the oversight for Pharmacy Benefit Managers under the Division of Insurance. Pharmacy Benefit Managers are required to be licensed with the Alaska Board of Pharmacy; as a Third Party Administrator with the Division of Insurance and registered with as a business entity in the state. In addition, at the federal level, Pharmacy Benefit Managers hold multiple federal licenses to operate with the DEA, CMS (Medicare Part-D) and as a federal contractor. Adding the ability for the Division of Insurance to weigh into private contracts between a Pharmacy Benefit Manager and a Pharmacy, establish an alternative forum outside of the legal contract to address disputes and re-create an already existing arbitration process is unnecessary.

Aetna uses Pharmacy Benefit Managers in pharmacy plans for a variety of reasons including ensuring pharmacy claims are being processed and paid in an appropriate manner. Audits allow a health plan and the businesses it serves to make certain that the pharmacy claims they are paying for are appropriate and do not contain instances of fraud, waste and abuse. In a time of rising health care cost, preventing fraudulent activity is an important tool to help keep health care cost down. HB 240 would limit Pharmacy Benefit Manager's ability to audit pharmacies by limiting the number of prescriptions available to audit, limiting the days that an audit can occur and dictating the methods a Pharmacy Benefit Manager can use to audit a pharmacy.

HB 240 limits the ability of Pharmacy Benefit Managers to use an over forty-year-old tool, called the Maximum Allowable Costs (MAC) list. A MAC list is a common cost management tool that is utilized by Pharmacy Benefit Managers, state Medicaid agencies, CMS and Health Plans taking into account marketplace dynamics, product availability and pricing. The federal government and many state Medicaid programs use MAC lists for reimbursement purposes. MAC is the maximum allowable reimbursement by a Pharmacy Benefit Manger to a pharmacy for a

particular generic drug. Every manufacturer has its own price for a particular generic drug and these prices can differ extensively by manufacturer. MAC lists are continuously updated to reflect the current market dynamics and encourage pharmacies to purchase generics at the lowest possible cost, driving competition among wholesalers and manufacturers, thereby lowering costs for payers and members.

Healthcare costs in Alaska are among the highest in the United States and are continuing to rise each year. HB 240 will create more unfunded regulations that do nothing to improve access to care for Alaskans and will not aid in the efforts to control health care costs in Alaska.

Thank you for the opportunity to submit our concerns about HB 240.

Sincerely,

Shannon Butler
Senior Director of Government Affairs, West Region

ALASKA TEAMSTER-EMPLOYER
SERVICE CORPORATION

January 23, 2018

Honorable Sam Kito
House Labor & Commerce
State Capital Room #105
Juneau, Alaska 99801

Re: House Bill No. 240

Dear Representative Kito:

On behalf of the approximately 4000 Teamster members and their families covered under the Alaska Teamster-Employer Welfare Trust, we continue to oppose House Bill No. 240 which proposes to regulate the audit of our members' prescription drugs.

The Plan's Prescription Benefit Manager (PBM) OptumRx performs infrequent onsite audits within Alaska; however, during any given calendar year would perform a maximum audit volume of 6-8% of the network pharmacies. The PBM's audit approach has also transitioned away from extensive onsite audits. The audits being conducted which incorporate claim reviews are done very concurrent to claim submissions to mitigate client prolonged risk to inaccurate payments due to repetitive errors. Our PBM conducts a large volume of daily audits on high risk medications and performs desktop audits monthly to monitor pharmacy claims for aberrancies in claims payments. Audit expectations and processes are clearly outlined in the PBM's Provider Manual which acts as an extension to the Provider Agreement.

While we understand the pharmacy position on the need to mitigate risk associated with punitive and aggressive audit tactics, the relationship between the pharmacy and the pharmacy benefit manager is a negotiated contract and should remain as such. Business entities should be allowed to enter a business arrangement and dictate the limitations of that arrangement. This should not require legislation.

We ask that you not move this bill from committee.

Sincerely,

Dennie Castillo
Administrator
Alaska Teamster- Employer Welfare Trust

c: Vice-Chair Adam Wool
Member Representatives – Josephson, Stutes, Birch, Edgmon, Knopp and Sullivan-Leonard

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PCMA

January 25, 2018

Representative Sam Kito, Chair
House Labor & Commerce Committee
Alaska State Capitol
Juneau AK 99801

Re: PCMA Opposition to HB 240, Relating to Pharmacy Benefit Managers

Dear Chairman Kito:

On behalf of the Pharmaceutical Care Management Association (PCMA) we must respectfully oppose SB 38, relating to pharmacy benefit managers. PCMA is the national trade association for America's Pharmacy Benefit Managers (PBMs), which administer prescription drug plans for more than 266 million Americans with health coverage through Fortune 500 companies, health insurers, labor unions, and federal and state-sponsored health programs.

PCMA is concerned that HB 240 creates costly and unnecessary regulation. It gives the director of the Division of Insurance unprecedented power to interfere in private contracts. Contracts between PBMs and pharmacies are negotiated in good faith, outline expectations and reimbursement terms, and many of them provide for arbitration if there are disputes. HB 240 would establish an alternative forum for adjudicating disputes, going around agreed-upon arbitration provisions. Furthermore, the Division of Insurance does not have the expertise to adjudicate the terms of drug pricing and reimbursement.

HB 240 also establishes restrictions on audits done by PBMs to ensure that pharmacies are not engaging in fraudulent activities and to ensure that health care payers are getting what they pay for. Health plans and employers that use PBMs rely on audits of their network pharmacies to recoup monies incorrectly paid for claims with improper quantity, improper days' supply, improper coding, duplicative claims, and other irregularities. Auditors also ensure that pharmacies are complying with Board of Pharmacy rules, including the proper storage of prescription drugs or posting of required signs, increasing patient safety at the pharmacy.

Finally, the state-mandated pricing scheme that HB 240 establishes will increase costs for employers and consumers. The use of the term "multi-source generic drug" in the proposal will limit the types of generic drugs that can be reimbursed under a maximum allowable cost (MAC) methodology. MAC reimbursement encourages pharmacies to purchase efficiently and is used by most private employer prescription drug plans and Medicaid agencies across the country. This bill would limit the ability to use this cost saving mechanism in pharmacy benefits.

Pharmaceutical Care Management Association
325 7th Street, NW, 9th Floor
Washington, DC 20004
www.pcmanet.org

PCMA

It is for these reasons that we must respectfully oppose HB 240. Thank you for the opportunity to share our concerns with HB 240. If you have any questions, please don't hesitate to call me at 202-756-5745. Thank you.

Sincerely,

Bill Head
Senior Director, State Affairs

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