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March 31<sup>st</sup>, 2016

The Honorable Mia Costello  
Chair, Senate Labor and Commerce Committee  
State Capitol, Room 510  
Juneau, AK 99801

**RE: Senate Bill 175— Relating to Pharmacy Benefit Managers - OPPOSE**

Chair Costello, Vice Chair Giessel and honorable members of the Committee:

CVS Health opposes Senate Bill 175 ("SB175") and respectfully asks the Committee to reject this bill. SB175 attempts to speak to several distinct issues and combine them into one omnibus anti-health plan, anti-managed care and anti-Pharmacy Benefit Manager ("PBM") bill.

Specifically, we would like to highlight the following concerns for your consideration:

- **Division of Insurance PBM Oversight:** SB175 would improperly regulate PBMs under the authority of the Director of the Alaska Division of Insurance. This despite the fact that PBMs are not insurance companies and the Division of Insurance does not possess expertise in pharmacy benefits management. The bill would also hand unprecedented legal authority in terms of binding judgment over disputes. SB175 would imprudently delegate the Director of the Division of Insurance with regulatory authority over PBMs that does not exist for any other healthcare entity and inserting the Director into private business (B2B) contracts.
- **Pharmacy Audits:** SB175 attempts to dictate pharmacy audit terms, something that is addressed today in contract. Audit procedures most properly being in contract rather than statute. Certain provisions of the audit language found in SB175, such as banning the use of extrapolation, limiting the days of the month an audit can occur or limiting audits to an individual pharmacy to once per year. Also, the bill is speaking to a kind of audit known as an 'on-site' audit but it does not specify this and would improperly apply standards for an on-site audit to, for example a computer/desktop audit that takes place electronically.
- **Maximum Allowable Cost ("MAC"):** SB175 will necessarily raise prescription drug costs in Alaska by limiting the availability of the MAC pricing tool (MAC is the reimbursement for a given generic drug which, unlike branded/patent protected pharmaceuticals are a commoditized product). SB175 will also drive up consumer healthcare costs by removing a PBMs ability to drive pharmacy generic purchasing toward efficiency and instead creating a perverse incentive toward inefficient purchasing by effectively guaranteeing reimbursement no matter the cost.

CVS Health is a pharmacy innovation company helping people on their path to better health. Through our 9,600 retail pharmacies, more than 1,100 walk-in medical clinics, a leading pharmacy benefits manager with more than 75 million plan members, a dedicated senior pharmacy care business serving more than one million patients per year, and expanding specialty pharmacy services, CVS Health enables people, businesses and communities to manage health in more affordable and effective ways. Our



unique integrated model increases access to quality care, delivers better health outcomes and lowers overall health care costs.

On behalf of CVS Health I thank you for your consideration of our comments in opposition to the measure and ask that the Committee reject SB175 for the aforementioned reasons.

Respectfully,

A handwritten signature in cursive script, reading "Eric P. Douglas".

Eric P. Douglas