



Alaska Pharmacists Association

March 27, 2017

Senator Cathy Giessel
State Capitol Room 427
Juneau, AK 99801

RE: SB 38 Pharmacy Benefit Managers

Dear Senator Giessel,

This letter is in response to the fiscal note dated March 24, 2017 from the Department of Administration regarding SB 38. The department's analysis included a few "potential" areas of fiscal impact which I will respond to below.

As you are aware SB 38 requires the PBM to pay the Division of Insurance a fee to cover the costs associated of the pharmacy appeals process. We feel this fee would be part of the PBMs cost of doing business and should not be passed on as administrative fees payable from AlaskaCare. Pharmacies are not allowed to bill back costs associated with PBM audit requests such as time and copying fees. Presumably this is a cost of doing business for the pharmacy with the PBM.

We feel SB 38 merely outlines the audit procedures and does not prevent the PBM from detecting fraud, waste or abuse patterns. Similarly, we do not believe the legislation restricts recoupment overpayments. The language in SB 38 is closely mirrored to model legislation that has passed in the majority of other states.

SB 38 does not require reimbursement of generic drugs at "certain levels". It merely says that PBM must prove that pharmacies can buy the drugs from wholesalers at the reimbursed rate. There is nothing in the bill that would delay or limit the ability of AlaskaCare or other plans to benefit from cost savings with generic competition with brand name drugs that have lost their patent.

We agree with the administrations assessment that "it is difficult to know how this bill will impact pricing..." However, we are not aware of significant increases in generic drug spends in other states do to passage of similar MAC pricing legislation. Generic drugs spending will probably continue to grow with the patent expiration of expensive brand name medications. We feel the State should feel obligated to at least reimburse Alaskan pharmacies the purchase cost of dispensed generic drugs.

Lastly, we take issue with the idea that wholesalers will increase generic drug prices simply because of this legislation. This would imply that there is collusion in the drug wholesaler industry. If the department really feels that this is or could be occurring then we would encourage it to undertake an investigation accordingly.

Thank you for the opportunity to comment on this matter. Please feel free to contact our association with questions.

Sincerely,

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Co-Chair Legislative Committee

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