



# SB 121: Transparency in Prescription Pricing & Patient Freedom of Pharmacy Choice

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# What is a Pharmacy Benefit Manager (PBM)?

- Third party companies that act as intermediaries between insurance companies, drug manufacturers, pharmacies, & patients
- Originally created to help insurers control drug spend, but have become perversely incentivized to increase drug spend
- **Why are they incentivized to increase drug spend?**
  - Create and manage formularies
  - Negotiate rebates
  - Process claims
  - Manage pharmacy networks
  - Operate mail-order and “specialty” pharmacies

# How PBMs Impact Healthcare Costs

- How do they increase drug costs?
  - Rebates and fees demanded of manufacturers for formulary placement - responsible for 42% of every dollar spent on brand medicines in the commercial market
  - Incentivize spend on higher-cost drugs in order to maximize profit margin
  - Reimburse self-owned pharmacies at higher rates than other pharmacies
  - Invented the fallacy of “specialty” pharmacy as a guise to increase spend on higher-profit margin prescriptions that they steer to their owned pharmacies
  - Spread pricing- charging the plans more for a claim than they reimburse the pharmacies

# PBMs are Harming Alaskans

- Pharmacies across Alaska are closing – crumbling public health infrastructure due to deceptive practices by Pharmacy Benefit Managers
  - 25% of independent pharmacies have closed since 2018, even more chain and independent pharmacies have limited staffing and hours. Tribal health systems feel the impact on overall care.
- **Recently closed or closing soon:** Ron's Apothecary (Juneau), Foodland Drug (Juneau), Medical Center Pharmacy (Fairbanks), Infusion pharmacies x2 (Anchorage ), Geneva Woods (Anchorage and Wasilla)
- **Limited services:** Walgreens (rolling closures at various locations), Fred Meyer break with Express Scripts, Most have limited hours / staffing in some form
- **At risk of limited services or closing this year:** Tribal health organizations, 35% of surviving independent and chain pharmacies

Alaska News

# **Alaska's pharmacist shortage has meant reduced hours and long waits for prescriptions**

By Annie Berman

Updated: October 26, 2023

Published: October 25, 2023

# **Nationwide pharmacy cyberattack affects Alaska patient prescriptions and insurance billing**



Alaska News

# **Alaska's pharmacies struggle to keep workers amid low pay and customer hostility**

By Zaz Hollander

Updated: October 18, 2021

Published: October 17, 2021

Anchorage

# **CVS-owned Geneva Woods pharmacies in Wasilla and Anchorage to be closed**

By Annie Berman

Updated: January 31, 2024

Published: January 31, 2024

Alaska News

# **Alaskans insured through certain providers may soon be unable to send their prescriptions to Fred Meyer**

By Annie Berman

Updated: December 28, 2022

# Juneau pharmacy closes, slowing down Skagway prescription process.

By Melinda Munson, for KHNS | December 20, 2023

[Business](#) | [Health](#) | [Juneau](#)

# Ron's Apothecary, one of Juneau's last independent pharmacies, to close after nearly 5 decades

December 5, 2023 by Clarise Larson, KTOO

# Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, Retail Pharmacies, Mail-Order Pharmacies and Providers, 2022



# The Big 3 PBMs Have a Market Monopoly

The big 3 monopolize **79%** of the PBM marketplace:

**CVS - 33%**

**Express Scripts - 24%**

**OptumRx - 22%**

PHARMALOT

**FTC says pharmacy benefit managers are stonewalling requests for information**



By [Ed Silverman](#)  Feb. 27, 2024

STAT+

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All under investigation by the Federal Trade Commission and Congress

# Spread Pricing

- Harms Alaskan employers, patients, and pharmacies!
- Alaska Employer Example
- Alaska Care
- In other states, investigations have found that PBMs were overcharging their plans by millions of dollars
  - \$223.7 million in Ohio in one year
  - Utah uncovered \$8 per prescription average spread

# Anti-competitive, unfair trade practices

- Monopolistic practices lead to artificially inflated drug costs because PBMs control the flow of pharmacy commerce, reap the benefits by driving business to themselves
- Anti-competitive practices to discourage or squash competition:
  - Make ludicrous requirements and fees for pharmacies wanting to dispense “specialty” drugs to edge out competition

Contractually disallow local pharmacies from mailing prescriptions
- As PBMs grow in power and continue to have lack of oversight, they are crushing Alaska pharmacies with non-negotiable contracts and forcing them out of business
- Reports show that PBMs reimburse their affiliated pharmacies at much higher rates than local pharmacies

Brand Name Margin over Acquisition Cost by Pharmacy  
Grouping in Top 6 MCOs, 2018-2019 (Excl. 340B)



# Patient Steering

PBMs steer patients to their own high-cost, low quality lower 48 mail-order pharmacies

- ▶ Causes delays in patient care, poor outcomes, increased healthcare costs

**Patients *deserve the right to choose* where they get their medications!**

# Tribal Health Patient & Pharmacy Impacts

- ▶ Patients are often unable to fill prescriptions at Tribal Health Organization (THO) pharmacies
- ▶ THO pharmacies forced to either send prescriptions out to PBM-owned mail order pharmacies or “eat” 100% of the cost of what should be a covered prescription
- ▶ This is not only an issue for the private sector – THOs ability to provide care is impacted as well

# To whom are PBMs responsible?

- ▶ Currently, the big PBMs are only beholden to their shareholders
- ▶ Should PBMs have a responsibility to the health of Alaskans?

# Impacts of PBM Practices on Alaskans

- ▶ Crumbling public health infrastructure
  - ▶ Pharmacy closures and reduction in hours, staffing
- ▶ Increased healthcare costs for employers and patients
- ▶ Poor health outcomes
  - ▶ Shipping delays, breaks in therapy, fractured care, lack of care coordination
  - ▶ Disease progression and poor prognosis

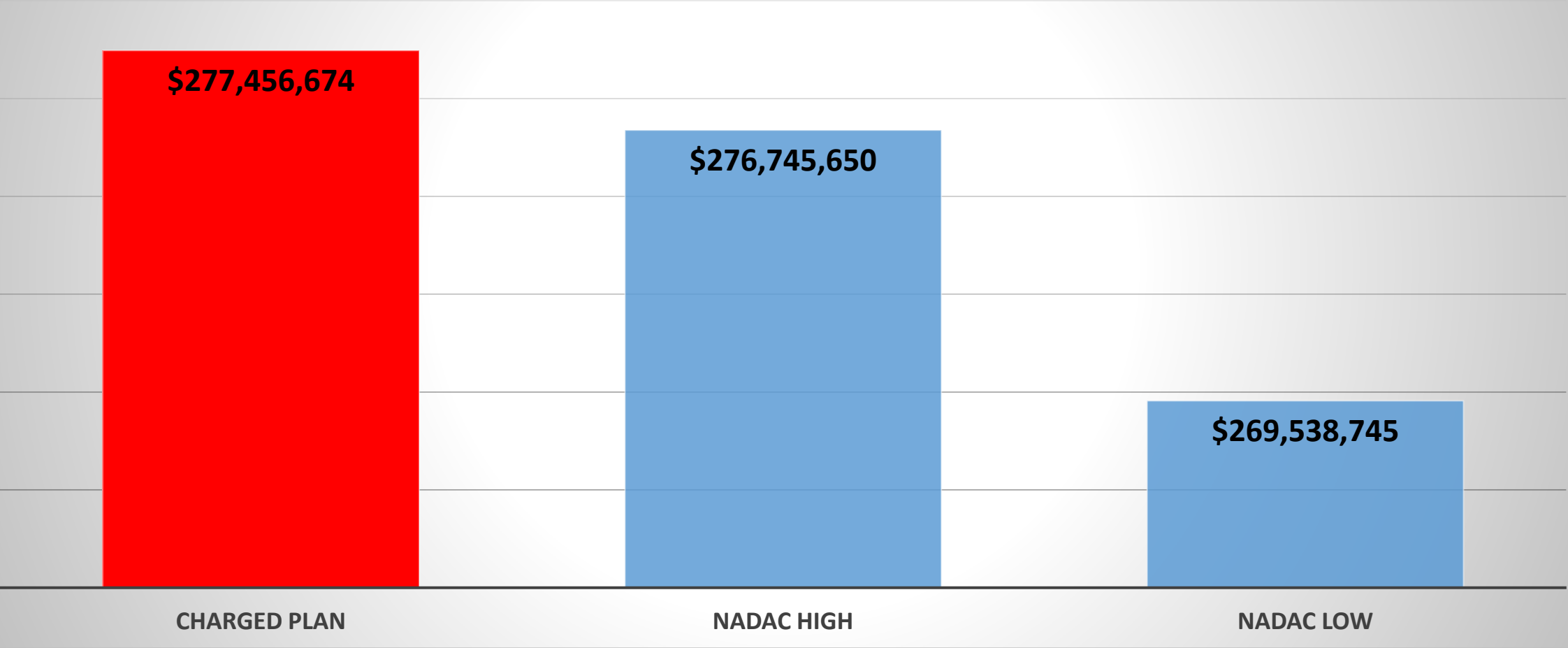
# SB 121 / HB 226 Provisions

- ▶ Gives patients right to access medication at pharmacy of their choice
  - Bans patient steering to PBM-owned or affiliated pharmacies
- ▶ Ensures safe access to physician-administered medications
  - Bans PBM-required white bagging and brown bagging
- ▶ Requires a transparent reimbursement model
  - Saves money for patients and plan sponsors on prescription drug spend
  - Gets rid of complicated and opaque reimbursement methodologies
- ▶ How?
  - Bans spread pricing
  - Requires reimbursement floor of NADAC + dispensing fee
  - Requires payment parity between PBM-owned pharmacies and local pharmacies
  - Fiduciary responsibility from PBMs to plan sponsors

# Supporters of SB 121

- Alaska Native Health Board & All Tribal Health Organizations
- Alaska Hospital and Healthcare Association
- Alaska Primary Care Association
- Alaska Medical Board
- Alaska Board of Pharmacy
- Alaskan Chain Drug Stores - National Association of Chain Drug Stores – (Members = Fred Meyer, Carr's/Albertsons, Walgreens, Costco)
- Alaskan Independent Pharmacies
- Patient Protection Groups

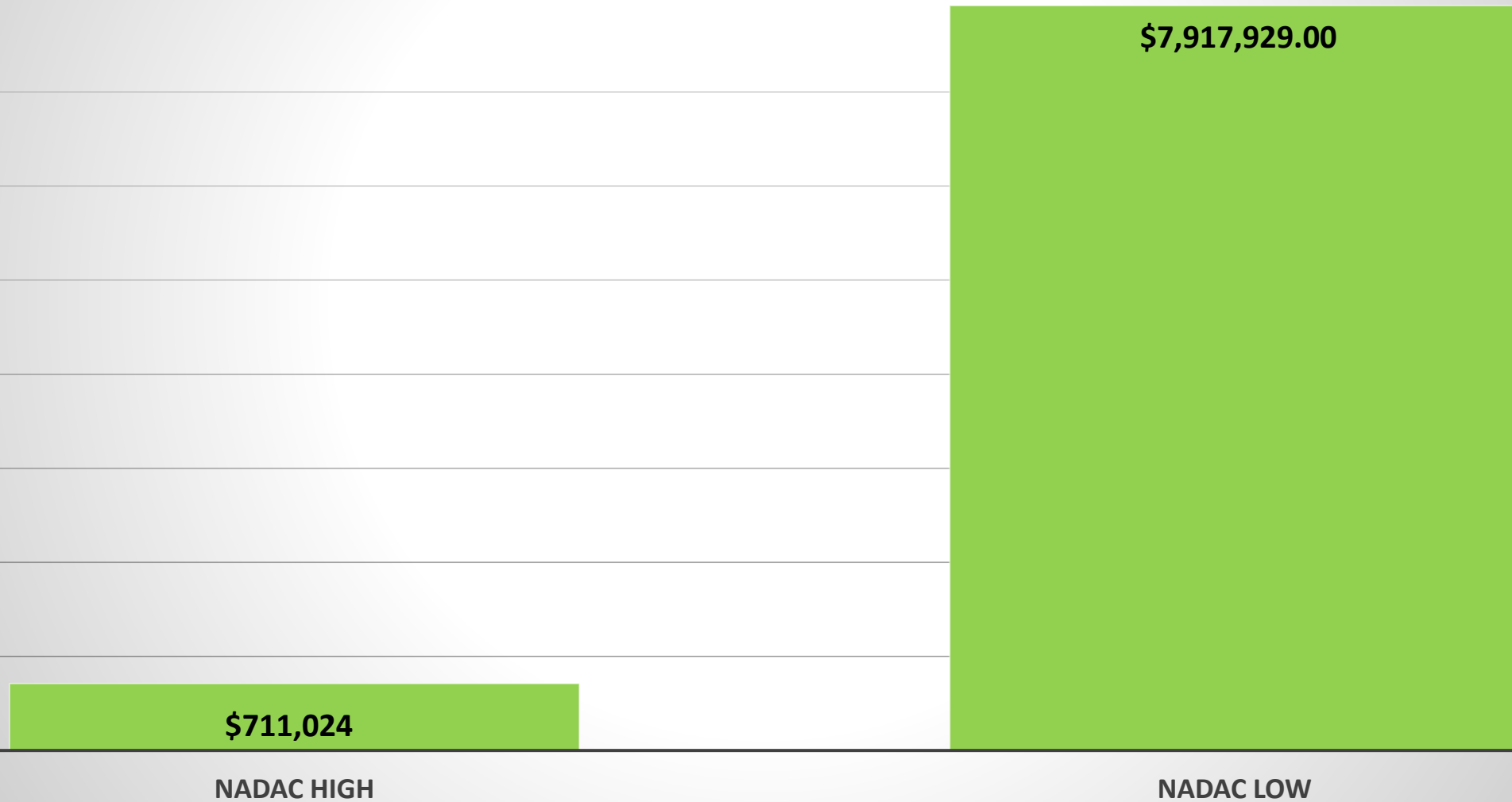
Alaska DRB 2022 Overall Rx Spend vs.  
SB121 Pricing (utilizing NADAC + \$13.36\*)



Utilizing fair reimbursement provisions in SB121 would have **saved the state approximately \$4.3 million (range of \$711,000 to \$7.9 million)** in 2022 alone.

\*\$13.36 dispensing fee is an estimate, based on trends seen in other states and bill language as well as the dispensing fee PCMA utilized in their analysis

## DRB overall cost savings

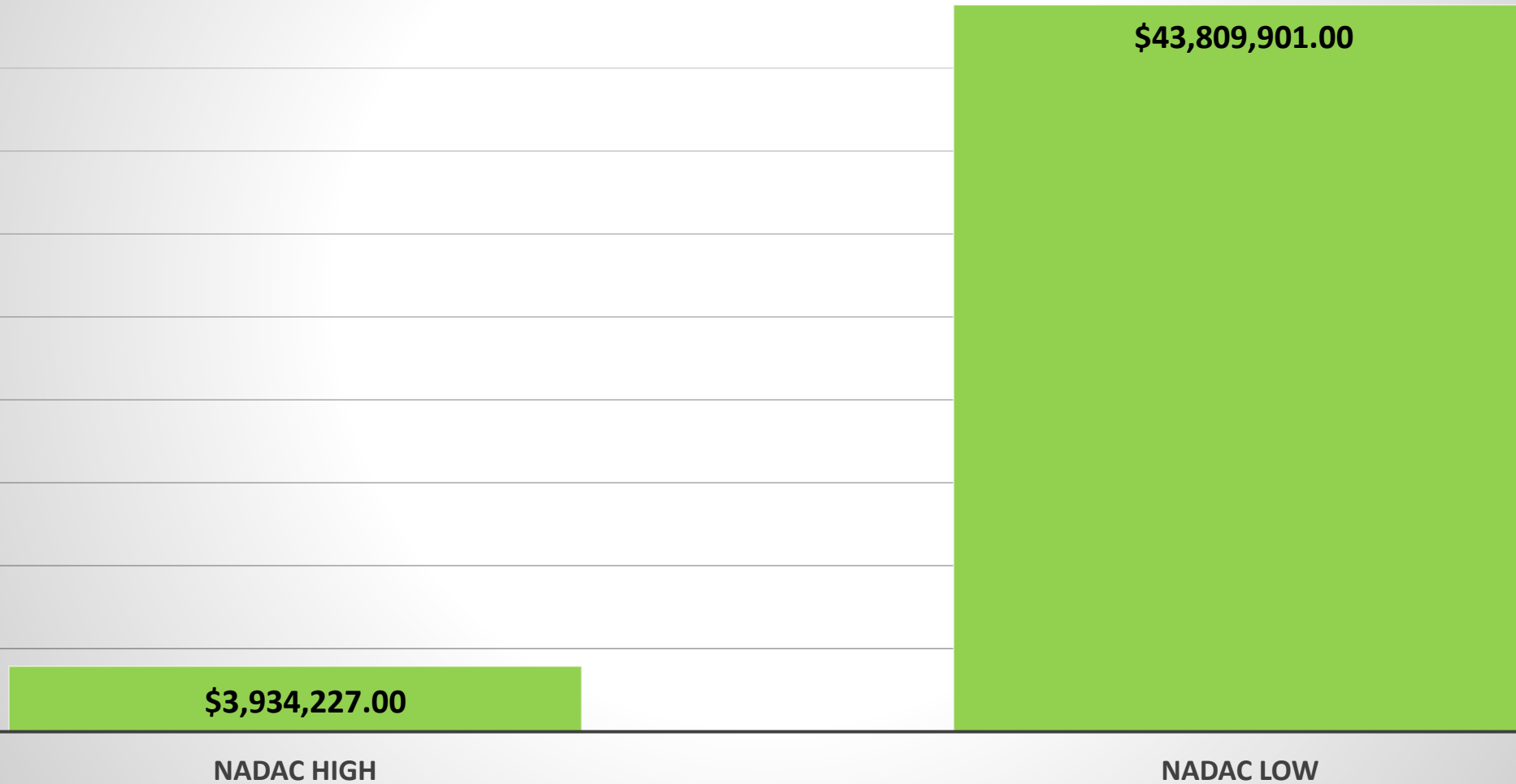


Based on 2019 Kaiser Family Foundation (KFF) prescription data utilized by PCMA for data analysis of SB121/HB226

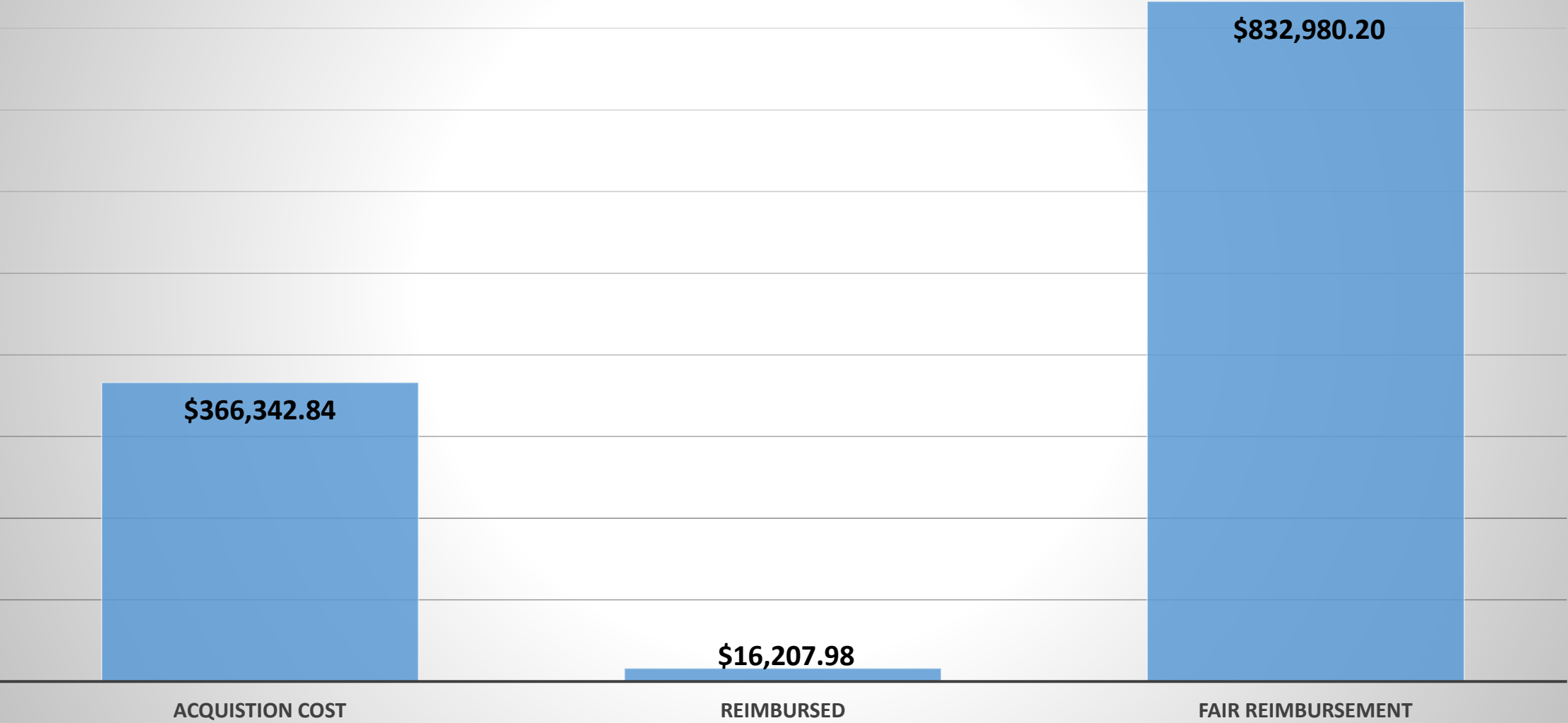
- Assuming claims numbers stay consistent and a dispensing fee of \$13.36 for Comm & Medicare is applied to claims then SB121/HB226 would add ~**\$49,432,000** to the local economy with disp fees alone while saving the Alaskan employers money

| Prescription Drugs                                                      |                                  |                                      |
|-------------------------------------------------------------------------|----------------------------------|--------------------------------------|
| Refine Data <input type="button" value="v"/>                            |                                  |                                      |
| Number of Retail Prescription Drugs Filled at Pharmacies by Payer, 2019 |                                  |                                      |
| Commercial                                                              | <input type="button" value="x"/> | 2,669,311                            |
| Medicare                                                                | <input type="button" value="x"/> | 1,031,538                            |
| Medicaid                                                                | <input type="button" value="x"/> | 812,087                              |
| Cash                                                                    | <input type="button" value="x"/> | 267,811                              |
| Total                                                                   | <input type="button" value="x"/> | 4,780,747                            |
| Retail Prescription Drugs Filled at Pharmacies per Capita, 2019         |                                  | <input type="button" value="i"/> NOT |
| Retail Rx Drugs per Capita                                              |                                  | 6.5                                  |
| Retail Sales for Prescription Drugs Filled at Pharmacies by Payer, 2019 |                                  |                                      |
| Commercial                                                              | <input type="button" value="x"/> | \$404,518,801                        |
| Medicare                                                                | <input type="button" value="x"/> | \$213,197,153                        |
| Medicaid                                                                | <input type="button" value="x"/> | \$120,477,106                        |
| Cash                                                                    | <input type="button" value="x"/> | \$19,013,310                         |
| Total                                                                   | <input type="button" value="x"/> | \$757,206,371                        |

## Alaska employers overall cost savings



Under-reimbursement creates an unknown spread



**SB121/HB226 is Pro-Alaska economy by preventing forced mail order and patient steering/coercion**



SB121/HB226 would allow patients to fill prescriptions locally if they would like to. This has the potential to infuse \$34 million to \$36 million annually into Alaska’s local economy for state employee and retiree prescriptions alone (based on 2022 data). Overall positive financial impact on AK economy is much larger. Where patients get their prescriptions filled would be the patient’s choice under SB121/ HB226.

Thank you!

Questions?