



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Commerce, Community,  
and Economic Development**

BOARD OF PHARMACY  
P.O. Box 110806  
Juneau, AK 99811-0806  
Main: 907.465.2589  
Fax: 907.465.2974

May 9, 2017

The Honorable David Guttenberg  
House of Representatives  
Alaska State Capitol  
Juneau, AK 99801-1182

**Re: HB240: Pharmacy Benefit Managers and Auditing of Pharmacy Records**

The Alaska Board of Pharmacy at its March meeting via teleconference, voted unanimously in favor of supporting House Bill 240 (An act establishing oversight for pharmacy benefits managers (PBM) including procedures and guidelines for auditing pharmacy records transparency of reimbursement/pricing methodology, and providing for an effective date). The Board feels that with 34 other states having established some form of oversight regarding PBM's, auditing practices, and pricing transparency, it is time Alaska follows through and adopts similar practice standards to help protect not only our pharmacies in the state, but the patients they serve. We ask this bill enacted in its current form and without delay.

Sincerely,  
Leif Holm, PharmD.  
Chair, Alaska Board of Pharmacy

p.p.  
Donna Bellino  
Licensing Examiner

Db:lh

May 8, 2017

Representative David Guttenberg  
Alaska State Senate  
Juneau, Alaska

**RE: HB 240: An act relating to the registration and duties of pharmacy benefit managers...pharmacy audits...**

Dear Representative Guttenberg;

I came to Fairbanks 46 years ago and worked in community pharmacies until I retired a couple of years ago. In the early days, most of our patients paid cash for their prescriptions. Today, the majority of prescriptions are billed to 3<sup>rd</sup> parties, and along with the 3<sup>rd</sup> party billing, has come Pharmacy Benefits Managers (PBM's) and audits of prescription records.

Like a similar bill that passed in the Alaska State Senate in 2012, **HB 240** will require that PBM's doing business in Alaska register with the state. The 25 or 30 other states that have passed similar bills have found that a \$300-\$500 registration fee will cover most of the administrative costs.

Audits of prescription records can be a useful tool to detect fraud and abuse, but, they should not be used as a method of generating additional income for the PBM or the auditing company. **HB 240** will bring fairness and standardization to the audit process by establishing parameters for auditing pharmacy records. The bill sets out procedures regarding notification of an audit by the PBM, what records need to be available to the auditor, and how overpayments, underpayments, and appeals will be handled.

In my long career I have experienced a number of audits from both DEA and insurance company auditors or their agents. They are never pleasant experiences, but, with proper notification and conduct, they can be done in such a way that they cause the least disruption to the patient care we provide in our pharmacies.

Thank you for your support of **HB 240**.

Margaret D. Soden, RPh  
PO Box 61328 (mailing), 3222 Anella Avenue (home)  
Fairbanks AK 99706-1328  
(907) 479-6793  
[margaretodsoden@gmail.com](mailto:margaretodsoden@gmail.com)

## Ron's Apothecary Inc.

9101 Mendenhall Mall Rd.

Juneau, AK 99801

(907)789-0458 voice (907)789-1356

## Foodland Pharmacy

615 W. Willoughby Ave.

Juneau, AK 99801

(907) 796-2280 voice (907) 586-2280

May 8, 2017

Representative David Guttenberg  
Room 501 Capital Bldg.  
Juneau, AK 99801-1182

**Re: HB 240: Pharmacy Benefit Managers and Auditing of Pharmacy Records**

I am writing in full support of HB 240 and hope that Alaska can join the 34 other states that have established guidelines for the oversight of PBM's and their auditing practices and pricing transparency. This bill is needed to create a fair relationship between providers and the PBM's so that health care members can continue to receive services in the state at their pharmacy of choice.

This bill will not prevent the detection for any fraud, waste, or abuse and will not prevent the recoupment of the PBM's from the pharmacy providers if such occurs. If fraud is alleged by a pharmacy or pharmacy employee the PBM's have full access to audit and recoup.

We are continually, read daily, dispensing medications below our cost due to the drug pricing list of PBM's (also called MAC lists-maximum allowable cost). These lists are set by the PBM, and change without notice. Currently there is no appeal process with the PBM's, most do not even have a phone number for these departments and we are left in a phone tree maze of wasted time and effort. While these lists are one mechanism to keep drug costs down, it is unfair if PBM's do not adequately update these lists to reflect increases in cost and to provide an adequate appeals process.

In providing pharmacy services to Southeast Alaska Residents in communities with no retail pharmacy we occasionally mail their prescriptions to their home in addition to the prescriptions they pick up in store while in town. According to many PBM's this is a breach of contract and those prescriptions need to come from the PBM's mail order pharmacy. During an audit the PBM could recoup the entire amount of these prescriptions.

If a PBM is truly interested in cost savings for health plans, the transparency required will not be an issue. It is stated from some PBM's that we are not to disclose the payment to a pharmacy from the PBM, this is confidential information. Why they expect this is one of the many reasons I hope this bill can be passed with undue delay.

Sincerely,  
Scott Watts R.Ph



Julie McDonald  
Whale Tail Pharmacy  
Pharmacist in Charge  
PO Box 709  
333 Cold Storage Road  
Craig, AK 99921

Monday, May 8, 2017

Representative David Guttenberg  
State Capitol Room 501  
Juneau, AK 99801-1182

Honorable Representative Guttenberg,

I would like to express my **strong support for HB 240**, Pharmacy Business Managers (Audit Bill) due to the absence of regulation for large corporation PBMs.

As a small business owner on remote Prince of Wales Island I quite often am paid under cost and ignored by PBMs. Maximum Allowable Cost (MAC) pricing causes our pharmacy to be paid below purchase cost several times daily and our appeals for MAC pricing are rarely responded to or are completely disregarded. At any point a PBM can change their MAC pricing and they can have multiple MAC price list leaving essentially no transparency. When trying to address these issues during contracting, I am presented with "take or leave it" contracts. However, since we are the only retail pharmacy for the island, if we are not contracted our patients will not have local access to pharmacy services.

I appreciate all of the time and work that you have put into State House Bill 240: Pharmacy Business Managers (Audit Bill).

Sincerely,

A handwritten signature in black ink that reads "Julie McDonald".

Julie McDonald, Pharm.D.

**Island Pharmacy  
3526 Tongass Ave.  
Ketchikan, AK 99901  
907-225-6186  
e-mail: [island.pharm@juno.com](mailto:island.pharm@juno.com)**

January 18, 2017

Representative David Guttenberg  
State Capitol Room 501  
Juneau AK, 99801

RE: HB 240 Pharmacy Benefits Managers

Dear Representative Guttenberg,

Thank you for sponsoring HB240 Pharmacy Benefit Managers (PBM). Our family operates Island Pharmacy in Ketchikan which has been serving Alaskans in southern Southeast Alaska for forty-four years. The passage of HB 240 is important and necessary for Alaskan pharmacies like ours to remain viable in the future.

While there are many important provisions in HB 240, I will outline two examples from our pharmacy that show the necessity of the legislation: timely allowance of appeal and generic drug pricing.

We received a large desk audit from a PBM which generated over 100 pages of documentation. Our two choices for transmission for the material was either unsecured e-mail or fax. Naturally, we choose fax, however since our fax machine will only hold/send 50 faxes at a time we had to send two separate faxes which was so noted on cover letters and also in e-mail to the auditor. Imagine our surprise when we got our audit results which showed we didn't include half the claim documentation. When we contacted the auditor they claimed the never received the second fax (even though we had confirmation that the fax went thru!). They did allow us to resend the second fax however they only allowed a five day period on the final audit findings for appeal. This included a \$400 claim for an RX that wasn't even present in the audit prescriptions claims that were send to us! The auditor claimed that they randomly select claims to send to prescribers to verify. In this case we checked with the prescribers office and they had no documentation asking to verify the prescription but they were willing to write a letter on our behalf indicating the validity of that prescription and two others deemed "not verified by prescriber". In this case we received the final audit findings document from the PBM on a Thursday afternoon and were told any additional documentation needed to reach their office in the Midwest by the following Tuesday via USPS MAIL.

This meant we had basically less than 24 hours to get our documents (and letter from prescriber mentioned above) in the mail so it would reach them. We do not believe that was a fair submission turn around time and quite frankly it was a miracle we were able to respond in time.

During the first two weeks of this year we had approximately 150 RX claims (excluding Medicaid claims) for generic drugs that were paid to us below invoice cost by the PBM's. These amounted to over \$2,000. Under the terms of our contract we are required to submit these claims. Yes, we can and do submit pricing appeals but rarely do we receive a positive result and even if we do we are rarely allowed to resubmit for the date of service of the Rx appeal. Obviously, any business cannot operate long under payment mechanisms that reimburse below cost and we ask for help in making sure generic drug pricing in Alaska by the PBM's is fair.

We agree that audits are necessary to ensure that fraud, waste and abuse activities are checked. However, we feel that it is time for Alaska to enact laws that provide clarity in the audit process and timely price updates like 30 plus states have already done.

I appreciate you and your staff's efforts to help provide audit relief to Alaska pharmacies and the patients we serve.

Respectfully,

*Barry Christensen, RPh*

Barry Christensen, RPh

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Justin Ruffridge  
Soldotna Professional Pharmacy  
Juneau Drug Company  
299 N Binkley  
Soldotna, Alaska 99669

907-262-3800  
907-262-6429  
jruffridge@icloud.com

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January 22, 2018  
Representative Guttenburg  
Alaska House of Representatives  
**State Capitol Room 501**  
**Juneau, AK 99801**

For your consideration,

In regards to HB 240, I extend my gratitude for sponsoring legislation to protect pharmacy services being offered by our pharmacies across the state. I would ask for consideration on the following:

First, consider a majority of states have passed similar legislation. This may be seen as an indicator that legislation is necessary to protect local businesses from oft overzealous audit practices and less than fair recoupments using methods such as extrapolation. To be fair, the audit is a necessary process to ensure that all participants in the billing of insurance are justly reconciling their claims and to prevent fraud. However, the creation of structure for how and when these audits occur and the penalties they may enforce only helps level the field for insurers and healthcare providers.

Second, consider the difference between an insurer and a local pharmacy. An insurer has full control of all aspects of the billing process while the pharmacy is, in many respects, left at the mercy of the insurer. In many cases, an insurer may pay well below the acquisition cost of medications and local pharmacies are left with no reasonable recourse to protect their investment. It is vital to the sustainability of local pharmacies to ensure we have a fair and equitable path to appeal pricing and to ensure that pricing is updated on a regular basis.

Certainly HB 240 is a valiant effort towards solving these issues and more and it is my sincerest hope the legislature will be able to pass this bill, protect local pharmacies, and look forward to a healthy future of the practice of pharmacy in Alaska

Sincerely,

Justin Ruffridge

*Owner*  
Soldotna Professional Pharmacy

Juneau Drug Company

Dear Representative Guttenberg,

My name is Sara and as an Alaska pharmacist, I want to say thank you so much for sponsoring HB 240. Alaska is a state full of strong, independent, community-minded people. We want our businesses to be Alaska born and bred, and HB 240 supports that for our local pharmacies. Many Pharmacy Benefit Managers (PBMs) target our independent pharmacies by cutting reimbursement rates making it nearly impossible to break even let alone turn a profit. Often times these reimbursement rates are below acquisition cost. Then they swoop in to save the day and offer to purchase their business. This has happened to two independent pharmacies I have worked for already, one in my home state of Ohio and one here in Alaska. If the current environment remains unchanged, large corporate pharmacies will continue to buy out our local pharmacies until none remain. This is anti-Alaskan.

The Fair Audit Bill does not do away with audits, it simply makes the process more transparent and allows for an even playing field. It is designed to prevent the targeting of minor clerical or administrative errors where no true fraud, patient harm or financial loss has occurred. It also allows pharmacists to spend less time on paperwork and more time focusing on patient care. Thirty states have already enacted Fair Audit legislation. It is time for our great state to get behind our businesses and keep our pharmacies local. So many of our villages depend on local pharmacies and who knows how to take better care of our Alaskan communities than the locals themselves.

Sincerely,

Sara Supe, PharmD  
2037 Casey Cusack Loop  
Anchorage, AK 99515  
740-975-9656