



Feb. 23, 2017

Senator Mia Costello, Chair  
Honorable Members  
Senate Labor & Commerce Committee  
Alaska State Capitol  
Juneau AK 99801

**Re: PCMA Opposition to SB 38, Relating to Pharmacy Benefit Managers**

Dear Chair and Honorable Members:

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 SB 38 creates costly and unnecessary regulation. SB 38 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. SB 38 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.

SB 38 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 SB 38 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.

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It is for these reasons that we must respectfully oppose SB 38. Thank you for the opportunity to submit our concerns about SB 38. If you have any questions, please don't hesitate to call me at 202-756-5743. Thank you.

Sincerely,

April C. Alexander  
Senior Director, State Affairs

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