



March 24, 2017

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

**RE: Senate Bill 38– Relating to Pharmacy Benefit Managers – Please Oppose**

Dear Senator Costello,

Aetna is writing to respectfully oppose SB 38, Relating to Pharmacy Benefit Managers. SB 38 creates costly and unnecessary regulation. Aetna uses pharmacy benefit managers to balance both the health needs of our members and the practical needs of businesses.

Issues of concern with SB 38 include furthering the oversight for Pharmacy Benefit Managers under the Division of Insurance. Pharmacy Benefit Managers are required to be licensed with the Alaska Board of Pharmacy; as a Third Party Administrator with the Division of Insurance and registered with as a business entity in the state. In addition, at the federal level, Pharmacy Benefit Managers hold multiple federal licenses to operate with the DEA, CMS (Medicare Part-D) and as a federal contractor. Adding the ability for the Division of Insurance to weigh into private contracts between a Pharmacy Benefit Manager and a Pharmacy, establish an alternative forum outside of the legal contract to address disputes and re-create an already existing arbitration process is unnecessary.

Aetna uses pharmacy benefit managers in pharmacy plans for a variety of reasons including ensuring pharmacy claims are being processed and paid in an appropriate manner. Audits allow a health plan and the businesses it serves to make certain that the pharmacy claims they are paying for are appropriate and do not contain instances of fraud, waste and abuse. In a time of rising health care cost, preventing fraudulent activity is an important tool to help keep health care cost down. SB 38 would limit Pharmacy Benefit Manager's ability to audit pharmacies by limiting the number of prescriptions available to audit, limiting the days that an audit can occur and dictating the methods a Pharmacy Benefit Manager can use to audit a pharmacy.

SB 38 limits the ability of Pharmacy Benefit Managers to use an over forty-year-old tool, called the Maximum Allowable Costs (MAC) list. A MAC list is a common cost management tool that is utilized by Pharmacy Benefit Managers, state Medicaid agencies, CMS and Health Plans taking into account marketplace dynamics, product availability and pricing. The federal government and many state Medicaid programs use MAC lists for reimbursement purposes. MAC is the maximum allowable reimbursement by a Pharmacy Benefit Manger to a pharmacy for a



particular generic drug. Every manufacturer has its own price for a particular generic drug and these prices can differ extensively by manufacturer. MAC lists are continuously updated to reflect the current market dynamics and encourage pharmacies to purchase generics at the lowest possible cost, driving competition among wholesalers and manufacturers, thereby lowering costs for payers and members.

Healthcare costs in Alaska are among the highest in the United States and are continuing to rise each year. SB 38 will create more unfunded regulations that do nothing to improve access to care for Alaskans and will not aid in the efforts to control health care costs in Alaska.

Thank you for the opportunity to submit our concerns about SB 38.

Sincerely,

A handwritten signature in black ink, appearing to read "Shannon Butler", is positioned below the word "Sincerely,". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Shannon Butler  
Senior Director of Government Affairs, West Region