

March 4, 2024

Representative Jesse Sumner
Alaska State Legislature
State Capitol Room 421
Juneau, AK 99801

RE: House Bill 226

Dear Representative Sumner, Chair House Labor and Commerce Committee:

I am writing to you today concerning House Bill 226, regarding pharmacy benefit manager (PBMs) business and payment practices.

Premera is neither owned by, nor do we own a PBM. In addition, we fully support transparency.

Furthermore, we share the goal of ensuring fair compensation for pharmacies and pharmacists. Nevertheless, we are concerned with many of the anti-free enterprise provisions in House Bill 226 that will increase costs and make health care even less affordable for our Alaska members.

Section 14 of House Bill 226 is a collection of anti-free enterprise policies that would dismantle pharmacy networks and prohibit spread pricing between the insurer and PBM.

- **Pay Parity:** We interpret the non-affiliate pay parity requirements to mean that health insurers/PBMs cannot reimburse their affiliated pharmacies more than non-affiliated pharmacies for the same pharmacy services. This is an anti-competitive provision as it would encourage pharmacies to avoid participating in networks and discourage pharmacy access for our members. More to the point, this provision derails the PBMs ability to build a pharmacy network for their health insurer clients' members. We anticipate that health care costs will rise, and quality will deteriorate if this becomes law.
- **Anti-Mandatory Mail Order and Anti-Steering:** These provisions would prohibit exclusive mail order benefit designs, regardless of the affiliation of the mail order pharmacy of choice. Pharmacy networks would also be prohibited from requiring a patient to procure drugs from a PBM affiliated pharmacy. Premera does not currently have mandatory mail order, but there is no reason to prohibit these cost-reduction tools.
- **Spread-Pricing:** Every business on planet earth exists in some part because it buys a product and sells it for a bit more (spread pricing). The prescription drug supply chain is complex. Every piece of the supply chain, including pharmacies takes a "spread". This bill prohibits that spread for PBMs and carriers. If this bill is to move forward, the prohibition should apply across the board, or be deleted. Pharmacies have their own version of a PBM which is not affected by this bill.

Hospitals have the rich 340b program, where there is an average markup of 600%, which is not impacted by the bill. Hospitals not in that rich program markup their drugs on average 240%. Every touchpoint in the supply chain charges a spread, including pharmacies. This provision could increase already high health insurance premiums by 10%.

White Bagging, Brown Bagging, Site of Care

We are also concerned with the expansion of the Board of Pharmacy authority to establish supply chain rules found in section 1. This authority would allow the Board of Pharmacy to prohibit white bagging and impose site of care restrictions (i.e. indicate which drugs can be administered at home). Restrictions on white bagging, brown bagging, and site of care are also included in section 10 of House Bill 226. Premera does not currently restrict white or brown bagging today but would like to maintain the freedom to initiate a white bagging program in Alaska if we determine it makes sense for our members at a later date. These programs are designed to combat abusive prescription drug mark-ups in clinical settings.

Dispensing Fees

Section 9 would require PBMs to reimburse the pharmacy or pharmacist for a professional dispensing fee set by the director. This is the government setting a price for a service that currently is subject to the competitive pressure and accountability of the marketplace. Premera is unable to comment on the cost of the dispensing fee provision as this information resides with our PBM. We have been advised that our PBM will be providing this information to the committee. In testimony in support of the bill, proponents indicated that this provision would play the role of “economic development” by contributing an additional \$50 million to the local economy. How can this be interpreted any other way than to increase healthcare costs? The money must come from somewhere. They estimate that the high dispensing fees will increase pharmacy revenues by \$50 million.

Not-for-profit health plans like Premera utilize PBMs because we haven’t figured out a better way to build the mousetrap. We need their negotiating power to apply downward pressure and accountability on the sometimes-unscrupulous prescription drug manufacturers. A key concern with this legislation is that it is imbalanced and would increase the power of prescription drug manufacturers to extract more money from our members by undermining the PBMs.

We would urge the committee to take a sober-minded approach to this legislation. And please understand that we support transparency. It is important to know that this bill hasn’t been vetted apart

Gary Strannigan
Vice President

from the few that were invited to take part in the workgroup that we learned about during the hearing for this bill. The problem with developing legislation in isolation like this is that it produces one-sided “solutions” that benefit one constituency. Or two, in this case: pharmacists and prescription drug manufacturers, who have underwritten campaigns in a number of states to promote legislation like HB 226. If the legislature is intent on advancing this measure, we would strongly urge that the legislature try to surface resistance. That is, collaborate with stakeholders of differing minds. Listen to their concerns. If you do this, the ultimate result will benefit all Alaskans, rather than just one constituency or two.

Very truly yours,



Gary B. Strannigan
Vice President
Congressional/Legislative Affairs

CC: Representative Justin Ruffridge, Vice Chair, House Labor and Commerce Committee
Representative Mike Prax, House Labor and Commerce Committee
Representative Dan Saddler, House Labor and Commerce Committee
Representative Stanley Wright, House Labor and Commerce Committee
Representative Ashley Carrick, House Labor and Commerce Committee
Representative Zach Fields, House Labor and Commerce Committee