



January 15, 2018

Connecticut Healthcare Cabinet
Comments Submitted Via Email
Victoria Veltri
Chief Health Policy Advisor
victoria.veltri@ct.gov

Re: Public Comment on Draft Recommendations on Pharmaceutical Costs

Dear Members of the Cabinet:

Please accept these comments on behalf of the Pharmaceutical Care Management Association (PCMA). We appreciate the opportunity to offer comments on your efforts ensure access to high quality affordable drugs in Connecticut. Pharmacy Benefit Managers (PBMs) play a more critical role than ever for payers (plan sponsors) and patients in keeping the cost of healthcare affordable. We have significant concerns with some of the recommendations in the report, which could lead to higher costs for payers and consumers while doing little or nothing to benefit consumers in the state. Our concerns include the recommendations for imposition of a fiduciary status on PBMs, guaranteed profits for pharmacies on every prescription they dispense, legislative standards for client audits of PBMs, passing through estimated rebates and discounts at the point of sale, and co-pay caps. We look forward to participating in a constructive dialog with other stakeholders during the coming legislative session.

PCMA is the national association representing America's pharmacy benefit managers (PBMs), which administer prescription drug plans for more than 266 million Americans with health coverage provided through employers, health insurance plans, labor unions, state and federal employee-benefit plans, and Medicare.

PBMs exist to meet the specific needs of our clients, employers, health insurance plans, labors unions, state and federal employee-benefit plans, Medicare and Medicaid who pay for the drug benefit. Today, the industry has a 40+ year track record of clinical and cost management innovation. PBMs offer proven tools which are recognized by consumers, employers, policymakers and others as key drivers in lowering prescription drug costs, increasing access, and improving outcomes. PBMs reduce drug costs by encouraging the use of generics and affordable brand medications. We offer programs that reduce waste and increase drug therapy adherence that improve health outcomes through plan design, clinical management, step therapy and drug formularies. We work with our clients to ensure that their members and employees have access to necessary medications through a variety of high quality pharmacies, including retail, community, mail-order, and specialty pharmacies. We manage high-cost specialty medications, negotiate rebates from drug manufacturers and discounts from drugstores.

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PBM Lower Costs for Patients and Payers

According to researchers, PBMs hired by plan sponsors to maximize the value of prescription drug benefits, help patients and payers save \$941 per enrollee per year in prescription drug costs,¹ equaling \$654 billion over the next 10 years.² Plan sponsors use these savings to benefit patients by lowering premiums or deductibles. Over the next decade, PBM's will save the citizens of Connecticut \$7.5 billion, including \$4.3 billion for commercial and private insurance and \$3.1 billion for Medicare part D.³

Below are a number of tools that PBMs make available to their plan sponsor clients. Using these PBM tools, PBMs are able to provide savings for payers and patients, generating \$6 in savings for every dollar spent by patients and payers.⁴

- **Plan Design:** PBMs advise their clients on various options to structure their drug benefits to ensure appropriate use of resources, including encouraging the use of generic drugs and preferred brands. The plan sponsor can choose how they want to spread their cost savings across the drug benefit.
- **Pharmacy Networks:** PBMs contract with over 65,000 network pharmacies to ensure patient access to prescription drugs, to monitor drug safety, and to alert pharmacists to potential drug interactions. Retail pharmacies provide discounts to be included in a plan's pharmacy network in exchange for increased customer traffic.
- **Mail-service Pharmacy:** PBMs provide highly-efficient mail-service that offers safe and cost-effective home delivery of medication. Mail-service pharmacy channels typically give plan sponsors deeper discounts than retail pharmacies, which are passed onto members in the form of lower copayments. These channels also help encourage the use of preferred products for additional savings. Data show that consumers also benefit from mail-service via increased adherence, which contributes to better health outcomes.

¹ Visante, Inc. "The Return on Investment (ROI) on PBM Services," Prepared by Visante on behalf of PCMA, November 2016. <https://www.pcmnet.org/wp-content/uploads/2016/11/ROI-on-PBM-Services-FINAL.pdf>

² Visante, Inc. "The Return on Investment (ROI) on PBM Services," Prepared by Visante on behalf of PCMA, November 2016. <https://www.pcmnet.org/wp-content/uploads/2016/11/ROI-on-PBM-Services-FINAL.pdf>

³ "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers," Visante, February, 2016

<https://www.pcmnet.org/wp-content/uploads/2016/08/visante-pbm-savings-feb-2016.pdf>

⁴ PCMA, Visante, Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers, February 2016



- **Formulary Management:** PBMs engage panels of independent physicians, pharmacists, and other experts to develop lists of drugs approved by the plan sponsor for reimbursement, and administer cost-sharing and utilization management (e.g., step therapy) criteria as directed by the plan sponsor.
- **Clinical Management:** PBMs use a variety of tools to encourage the best clinical outcomes for patients. These include drug utilization review and disease management programs, which are designed to improve medication adherence and health outcomes. For example, PBMs improve drug therapy and patient adherence in diabetes patients, helping to prevent 480,000 heart failures, 230,000 incidents of kidney disease, 180,000 strokes, and 8,000 amputations annually.⁵
- **Manufacturer Rebates and Discounts:** PBMs negotiate discounts from manufacturers of drugs that compete with therapeutically-similar brands and generics. More than 90% of those rebates and discounts are passed on to our clients to help lower out-of-pocket costs and premiums for their members. As a result of PBM roles in negotiating discounts from manufacturers, PBMs have been able to keep drug costs down and the growth in net prices for prescription drugs continues to fall.

PBMs have a proven track record of delivering high-quality, affordable benefits that address the individual needs of our clients and patients.

Powerful PBM Tools Drive Down Costs of Prescription Drugs

Price concessions, in the form of rebates, negotiated by pharmacy benefit managers (PBMs) on behalf of plan sponsors, such as large employers, government programs, and insurers, significantly lower the cost of drugs. Pharmaceutical manufacturers set the list price for a given drug. PBMs then negotiate with manufacturers to secure the drug at a lower cost for their plan sponsors. Rebates are calculated and paid months after a drug has been dispensed based on the total volume of paid claims. Plan sponsors use these savings to benefit patients by lowering premiums or out-of-pocket costs. Each payer determines what percentage of rebates are passed through to it, and how much (if any) it wants the PBM to retain as payment for services. With approximately 80 different PBMs in the marketplace, the PBM industry is highly competitive; employer, union and government plans have a variety of choices when considering how best to manage their pharmacy benefit. In order to win business, PBMs have every incentive to reduce drug costs for their plan sponsors by eliminating excessive fees and passing rebate savings along to their plan sponsors and their beneficiaries.

⁵ PCMA, *Visante, The Return on Investment (ROI) on PBM Services*, November 2016



According to a recent study, there is no correlation between the prices drug manufacturers set and the rebates they negotiate with PBMs.⁶ The findings contradict claims asserted by manufacturers and others, that the prices that drug manufacturers set are contingent on the level of rebates and discounts manufacturers negotiate with PBMs. The study analyzed data on gross and net sales for the top 200 self-administered, patent-protected, brand-name drugs and found no correlation between the prices drug manufacturers set for those drugs and negotiated rebates. A follow-up analysis also noted that: “[t]op brand drugs that offered little to no commercial-sector rebates during the 2011-2016 time period still increased their prices.”⁷

We believe that it is important to keep the competitive marketplace among drug manufacturers in place in order to drive down the cost of prescription medications. Any public disclosure of rebate information would allow manufacturers to learn what type of price concessions other manufacturers are giving and disincentivizes them from offering deeper discounts, which benefit plan sponsors and their beneficiaries. This transparency will not lead to better health care or lower health care costs. In fact, the Federal Trade Commission (FTC) has stated that, “[i]f pharmaceutical manufacturers learn the exact amount of rebates offered by their competitors, then tacit collusion among them is more feasible” and “[w]henver competitors know the actual prices charged by other firms, tacit collusion — and thus higher prices — may be more likely.”⁸ The FTC has also warned several states that legislation requiring PBM disclosure of negotiated terms could increase costs and “undermine the ability of some consumers to obtain the pharmaceuticals and health insurance they need at a price they can afford.”⁹ Additionally, the Department of Justice and the FTC issued a report noting that “states should consider the potential costs and benefits of regulating pharmacy benefit transparency” while pointing out that “vigorous competition in the marketplace for PBMs is more likely to arrive at an optimal level of transparency than regulation of those terms.”¹⁰

Thank you for the opportunity to provide input. We look forward to working with you. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Melodie Shrader". The signature is fluid and cursive, written over a light blue horizontal line.

Melodie Shrader
State Affairs – Senior Director

⁶ PCMA, *Visante, No Correlation Between Increasing Drug Prices and Manufacturer Rebates in Major Drug Categories*, April 2017;

⁷ PCMA, *Visante, Increasing Prices Set by Drugmakers Not Correlated With Rebates*, June 2017

⁸ Letter from FTC to Rep. Patrick T McHenry, U.S. Congress, (July 15, 2005); Letter from FTC to Assemblyman Greg Aghazarian, California State Assembly, (September 3, 2004).

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¹⁰ US Federal Trade Commission & US Department of Justice Antitrust Division, “Improving Health Care: A Dose of Competition,” July 2004.