

Statement Before

The Insurance and Real Estate Committee

Tuesday, March 2, 2010

Re: RB 254: An Act Concerning Disclosure of Maximum Allowable Costs for Pharmacy Reimbursements

Good Afternoon Rep. Fontana, Sen. Crisco and members of the Insurance Committee. My name is Margherita Giuliano. I am a pharmacist and the Executive Vice President of the Connecticut Pharmacists Association. The Connecticut Pharmacists Association is a professional organization representing 1000 pharmacists in the state of Connecticut. I am here today to speak in strong support of RB 254: AAC Disclosure of Maximum Allowable Costs for Pharmacy Reimbursements.

RB 254 proposes definition of pharmacy reimbursement rates for generic medications by pharmacy benefit managers (PBMs) or other health benefit plans that include coverage for prescription medications. Currently, when a pharmacy receives a contract or an amendment to a contract for prescription benefits, the contract states that the pharmacy will be reimbursed for brand name drugs based on benchmark numbers. These benchmark numbers are Average Wholesale Price (AWP) or Wholesale Acquisition Cost (WAC) plus or minus a percentage as well as a dispensing fee. AWP and WAC are published numbers that pharmacies can use to determine if reimbursement levels are equitable and reasonable.

Additionally, these same contracts state that generic drugs will be reimbursed according to Maximum Allowable Costs (MAC) plus a dispensing fee. Specifically, the term MAC, means the highest amount at which the pharmacy will be reimbursed for a covered service and, according to contract terms, "which lists and pricing may be established and amended by the PBM and/or payor in its sole discretion." This creates an obvious and significant problem for pharmacies as MAC is not a published number and the PBM does not provide a true definition of MAC. This bill proposes language suggesting that publishing a list of MAC drugs provides a solution. But, in fact it does not, as these lists are subject to change at the discretion of the PBM and therefore still does not create an effective formula for reimbursement. Just because the prices are published, doesn't mean they are defined. Therefore, this leaves pharmacies in the dark in terms of what their actual reimbursement is. As a pharmacy owner, the difficulty in effectively managing a sound business plan is clearly impossible, as this very important piece of business is ill-defined. PBMs should be required to define the basis by which they determine the MAC price to provide a basis for purchasing decisions.

Pharmacies should not be asked to enter into contracts without full disclosure of what they are being paid for. We propose altering the language to require PBMs to use a benchmark number as a basis of a formula for reimbursement. This would create the needed transparency for reimbursement levels. Furthermore, a requirement that PBMs provide a notice as soon as MAC prices are changed or updated, should be required.

Another section of this bill we would like to specifically voice strong support for is Section 2(b) regarding an issue of public concern—misleading targeted marketing. I was recently made aware of a situation where a consumer was sent a letter from their PBM (CVS/Caremark) strongly encouraging them to change from their current brand name drug to a generic. The letter is attached for your review and reference. At the top of the letter it states, "According to the U.S. FDA: "generic drugs...are just as safe and just as effective as their brand-name counterparts." It goes on to say, "Ask your doctor if a lower cost generic alternative (Zolpidem) for your current drug, Lunesta, is an option

for you. Why pay more? There are lower-cost generic drugs available to treat your condition..." Reading this letter, the unsuspecting consumer would assume that Zolpidem is the generic for Lunesta. It is not. In this particular situation, the person receiving this letter happened to be related to a pharmacist who explained that Zolpidem is the generic for Ambien. And, Ambien is a medication that this consumer was adversely affected by.

Clearly, this is inappropriate and dangerous marketing and we are very pleased that the Insurance Committee has made an initial attempt to change this practice.

I urge the committee to support this legislation with the suggested language changes.

**According to the U.S. FDA:
"generic drugs...are just as safe and just as
effective as their brand-name counterparts."***

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So why pay
30-80%
more for the
brand-name?

Dear [REDACTED]

When you have a choice between brand-name and generic prescription drugs, price doesn't always equal a better product. In many cases, you could just be paying more for a name.

Ask your doctor if a lower cost generic alternative (**zolpidem**) for your current drug, Lunesta, is an option for you.

Why pay more?

There are lower-cost generic drugs available to treat your condition, much like your current medication does. So why pay more for your prescription if you don't have to?

Because generic drugs don't require the same development and marketing costs as brand-name drugs, they can be priced much more competitively—typically at a savings of 30-80 percent.**

Changing to a generic medication is easy.

Simply remove the Generic Drug Savings Request card below and bring it to your next doctor appointment. Or call your doctor now to discuss whether a generic alternative is appropriate for you.

As your pharmacy benefit manager, we're committed to providing you with expert care at an affordable price. Visit www.caremark.com for more information.

Sincerely,

Your Customer CareTeam
CVS Caremark

P.S. Almost two billion prescriptions a year are filled with generic drugs for one simple reason: they're affordable. Discover how you can benefit from the savings they offer. Contact your doctor today.



Generic Drug Savings Request

Present this card to your doctor at your next visit to ask if **zolpidem** is right for you. Or have your doctor call in your generic prescription to our FastStart® physician line: 1-800-378-5697.

See back of letter for 10 reasons to choose generic drugs.

*FDA White Paper, New FDA Initiative on "Improving Access to Generic Drugs" — June 12, 2003

**Savings are based on plan participant copayments. The amount of your savings will be based on your benefit plan. Source: Generic Pharmaceutical Association Web site: <http://www.gphaonline.org/about-gpha/about-generics/case>

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