

Testimony Submitted to the Insurance and Real Estate Committee

SB No. 1052: An Act Concerning Maximum Allowable Cost Lists and Disclosure By Pharmacy Benefit Managers

Senator Crisco, Representative Megna and Members of the Insurance and Real Estate Committee;

My name is Edward Schreiner. I am a resident of Oakville, Ct. I have owned and operated Stoll's Pharmacy in Waterbury, Ct, since 1988. I am also the Chairman of the Board of Directors for Northeast Pharmacy Service Corporation (NPSC), a buying group that provides business development services to over 260 participating community pharmacies throughout New England, including 110 businesses located here in Connecticut.

I am writing this letter to ask for your support of Raised Bill #1052: An Act Concerning Maximum Allowable Cost Lists and Disclosure By Pharmacy Benefit Managers. This bill mandates that Pharmacy Benefit Manager (PBM) contracts include a process that enables network pharmacies to appeal reimbursements that are below their acquisition costs.

Having monitored my pharmacy's reimbursements for over 25 years, it was very unusual to be paid less than our drug acquisition cost when dispensing a generic medication. The generic industry has always been touted as providing low cost, competitive alternatives to many expensive brand name medications. Recently, there has been a significant trend of consolidation of generic manufacturers. Along with the reduction in the number of generic manufacturers, we have seen many generic manufacturers discontinue product offerings that were not profitable enough for them. Over the past 3 years I have seen numerous generic drug prices skyrocket overnight, sometimes by 1000% or more.

At the close of business every night, I run a report to identify the claims that I am reimbursed below my drug acquisition cost for that day. I find 10 to 20 prescriptions on this report *every day*. Sometime I lose less than \$10 on the claim. Far too many times I lose \$100 or more on a claim. As a prudent businessman, I must ask myself if I should continue stocking a drug that I will lose \$100 on every refill. The residents of Connecticut risk losing access to many generic medications because of the failure of PBMs to fairly reimburse network pharmacies.

Unfortunately, PBM's frequently sight the "confidential, proprietary nature" of their pricing strategies and refuse to publish or disclose Maximum Allowable Cost (MAC) lists or the methodologies they use to develop their MAC lists. With little or no state or federal oversight of the PBM industry, many PBMs offer network pharmacies contracts on a "take-it-or leave-it" basis. The nature of these contracts provide little incentive for the PBM to alter their arbitrary MAC pricing or to address pharmacy requests to increase reimbursement when a generic drug price skyrockets.

PBMs frequently cite their ability to control drug costs for the real "payer" of the drug claim, the Plan Sponsor. Unfortunately, what many fail to realize is that the MAC reimbursement rate paid by the PBM to the network pharmacy may not be the same as the rate the PBM contracts for payment by the Plan Sponsor. The PBM makes additional money when the Plan Sponsor pays the PBM more than the PBM pays the network pharmacy. Sections 1.d and 1.e.1 thru 1.e.3 of this bill contain language that requires PBMs to disclose MAC lists and pricing methodologies to a plan sponsor. The bill also requires PBMs to notify plan sponsors when they reimburse network pharmacies using a different MAC list than the one being paid by the plan sponsor.

The right to appeal is a fundamental due process that appears throughout state and federal law. CMS currently requires Medicare Part D contracts to include a MAC appeal process, such as the one created in this bill. **SB No. 1052 sets the basic rules and timelines for a fair and reasonable pricing appeals process that mirrors the generic appeals process that the Connecticut Medicaid program currently uses.** This bill

compares favorably with laws that have already passed in 16 other states. Currently, five New England states and New York are considering MAC legislation during this session. The National Community Pharmacists Association has assisted pharmacy groups in many of the 16 states that have passed a MAC bill and have provided some of the wording for SB No 1052 based upon the legislation that has passed in the other states.

In conclusion, I strongly urge you to support passage of SB No 1052. This bill provides Connecticut pharmacies with a fair and reasonable avenue to appeal unreasonable reimbursements in a manner that is currently being denied by some PBMs. It also provides plans sponsors with transparency regarding pricing they pay to PBMs and network pharmacies. Finally, this bill will help ensure that Connecticut residents continue to have uninterrupted access to medications at the community pharmacy of their choice throughout the state.

Thank you for your time in consideration of this important bill.

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