

Insurance and Real Estate Committee JOINT FAVORABLE REPORT

Bill No.: SB-410
AN ACT CONCERNING PHARMACY BENEFIT MANAGERS AND SPREAD
Title: PRICING.
Vote Date: 3/22/2022
Vote Action: Joint Favorable
PH Date: 3/17/2022
File No.: 359

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SPONSORS OF BILL:

Insurance and Real Estate Committee

REASONS FOR BILL:

This bill requires the Department of Insurance to study pharmacy benefit manager distribution of prescription drug practices and their spread pricing arrangements. Through this study, this bill aims to produce greater transparency and the reduction of costs for prescription drugs.

RESPONSE FROM ADMINISTRATION/AGENCY:

Connecticut Insurance Department – **Supports** this bill's goals of making more information being available to guide decision making in regard to prescription drug pricing. Reducing the cost of prescription drugs for consumers is a priority of the agency as those costs currently account, on average, for nearly a quarter of health care premiums and are increasing by ten percent each year. However, the agency states that they currently don't we do not have the budget, expertise, or bandwidth to complete this study.

The Insurance Department goes on to state that it presently does not regulate Pharmacy Benefit Managers. While the Department does register PBMs, it does not license them, or review their contracts. While the Department possesses expertise on items concerning the regulation of insurance, regulating prescription drugs and the complex contracting relationships prescription drug-adjacent entities have with each other is an area in which the Department does not have expertise, experience, nor regulatory authority. The Department states that if the bill were to pass in its present form, the Department would need a significant investment of resources to hire employees with expertise in prescription drugs to carry out the goals of the bill. Specifically stating that additional legal and Market Conduct staff will also be necessary concerning the enforcement of any new contractual requirements.

Senator Martin Looney – **Supports** this bill. Spread pricing is the PBM practice of charging payers significantly more than they pay the pharmacy for a medication and then the PBM keeps the "spread" or difference as profit. In some cases, the reimbursement rate to the pharmacy is so low that the pharmacy makes no profit on the transaction. The amount of the spread that a PBM can retain should be regulated and transparent. One proposal could be to require that PBMs can retain only a "reasonable" administrative fee.

Senator Kevin Kelly – **Supports** this bill because it seeks to address prescription drug affordability by examining anti-consumer policies involving prescription drugs and increasing transparency to inform policy making. The bill would require the Connecticut Insurance Department to submit a report providing an analysis of pharmacy benefit manager distribution of prescription drug practices regarding spread pricing arrangements, manufacturing rebates, and transparency and accountability. As we closely examine strategies to reduce high prescription drug costs, we must work to stop anti-consumer policies that further drive-up costs.

NATURE AND SOURCES OF SUPPORT:

Connecticut Association of Health Plans – **Supports** this bill because of the role that PBMs play in holding down the price of pharmaceuticals. PBMs negotiate with drug manufacturers for savings that are then passed onto consumers in the form of overall lower premiums or reduced prices at the point of sale. Spread pricing contracts provide employers, and thereby consumers, stability and predictability in the price of their plan.

Laura Hoch, Senior Manager of Advocacy, National Multiple Sclerosis Society – **Supports** this bill will help to increase transparency throughout the pharmaceutical system and supply chain, including pharmacy benefit managers (PBMs). Allowing the Insurance Department to collect the necessary information to report out on PBM practices in regard to spread pricing, manufacturer rebates, transparency, and accountability may bring us closer to bringing down the out-of-pocket costs that patients face every day.

PhRMA – **Supports** this bill because they are concerned that substantial rebates and discounts paid by pharmaceutical manufacturers - approximately \$236 billion in 2021, up from \$187 billion in 2020, do not make their way to offsetting patient costs at the pharmacy counter. This bill would help patients by providing information on what reforms will help lower the price they pay for medicines at the pharmacy, such as making monthly costs more predictable, making cost-sharing assistance count toward a plan's out-of-pocket spending requirements, and sharing negotiated savings on medicines with patients.

Sam Hallemeier, Director of State Affairs for the Pharmaceutical Care Management Association (PCMA) – states that the contract arrangement that a client enters with a PBM should be up to client to decide between a spread pricing and pass-through arrangement.

NATURE AND SOURCES OF OPPOSITION:

David Godbout – **Opposes** this bill.

Reported by: Alexander Pachkovsky

Date: 3/30/22