

January 30, 2024

The Honorable Joseph Solomon
Chair, House Committee on Corporations
703 West Shore Road
Warwick, RI 02889

Re: HB 7139 – NCPA support

Via email: Rep-soloman@rilegislature.gov and HouseCorporations@rilegislature.gov

Dear Chair Solomon and Members of the Committee:

The National Community Pharmacists Association is writing to express its support for concepts contained in HB 7139, pharmacy benefit management (PBM) company reform legislation that “carves out” the Medicaid pharmacy benefit from managed care in addition to other important provisions that address egregious business practices of PBMs. We urge you to move forward with a carve-out to protect Rhode Island’s Medicaid beneficiaries, taxpayers, and community pharmacies with the superior transparency of a fee-for-service program.

NCPA represents the interest of America’s community pharmacists, including the owners of more than 19,400 independent community pharmacies across the United States and about 16 independent community pharmacies in Rhode Island. These pharmacies employed nearly 200 individuals and they filled over 1 million prescriptions in 2021, generating more than \$42 million in total sales.

Community pharmacists have long known that opaque PBM practices not only hamper patients’ ability to obtain pharmacy services from their trusted community pharmacists, but those practices can also lead to higher drug costs for both patients and plan sponsors. Due to the massive consolidation and vertical integration in the health insurance market¹, the three largest PBM’s control 80% of the prescription drug market² giving them the power to engage in abusive practices which limit patient access, increase drug costs and threaten the viability of small business pharmacies.

Fee-for-service Medicaid pharmacy reimbursement rates are transparent and both cost- and evidence-based. For example, NADAC is an evidence-based benchmark that is updated on a weekly basis. Similarly, professional dispensing fees are based on cost of dispensing surveys that can and should be updated on a regular basis. California, Missouri, New York, North Dakota, Tennessee, West Virginia, and Wisconsin have opted to carve out their pharmacy benefit from managed care. This move helped West Virginia save over

¹ <https://ncpa.org/sites/default/files/2023-01/verical-bus-chart.jpg>

² [Drug Channels: The Top Pharmacy Benefit Managers of 2021: The Big Get Even Bigger](#)

\$54.4 million³ and North Dakota save \$17 million⁴ in Medicaid spending in one year. California estimates that the carve out will save at least \$150 million⁵ a year. New York achieved savings of nearly \$400 million during the first year alone.⁶

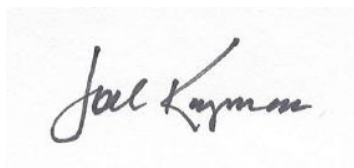
HB 7139's prohibition of spread pricing would also improve transparency. Spread pricing can end up costing plan sponsors millions of dollars in overcharges, as officials in Ohio, Kentucky, and other states have found after investigating the PBMs serving state-funded benefit plans.⁷ This critical transparency provision will ensure payers' and patients' health care dollars are actually going towards their care, instead of into PBMs' pockets.

NCPA also supports the bill's intent to address patient steering. It is not uncommon for a PBM to require patients to utilize a PBM-owned or affiliated pharmacy, often a mail-order pharmacy. The PBM is then free to reimburse its pharmacy at higher rates, thereby forcing patients and plan sponsors to pay higher costs to the PBM. The bill's provisions will diminish the likelihood of PBMs steering a patient to a PBM-owned or affiliated pharmacy or mail order, preventing the PBM from charging artificially higher rates.

Finally, we support the bill's creation of PBM regulation oversight authority. We recommend consolidating the authority into the Office of the Insurance Commissioner and providing additional language in legislation about consequences for violating the law. While we would expect more detail through rulemaking, we advocate for strong legislative language that creates a framework for enforcement.

Thank you for receiving our perspective. If you have any questions, please do not hesitate to contact me at joel.kurzman@ncpa.org or (703) 600-1186.

Sincerely,



Joel Kurzman
Director, State Government Affairs

³ <https://dhhr.wv.gov/bms/News/Pages/West-Virginia-Medicaid-Pharmacy-Savings-Report-is-Now-Available!-.aspx>

⁴ <https://www.nd.gov/dhs/info/testimony/2021/house-approp-hr/hb1012-medical-services-overview-expansion-1-14.pdf>

⁵ <https://lao.ca.gov/reports/2020/4161/Medi-Cal-Budget-021420.pdf>

⁶ https://www.health.ny.gov/health_care/medicaid/redesign/2023/docs/2023-24_exec_budget_scorecard.pdf

⁷ Auditor of State of Ohio, *Auditor's Report: Pharmacy Benefit Managers Take Fees of 31% on Generic Drugs Worth \$208M in One-Year Period*, (Aug. 16, 2018) <https://ohioauditor.gov/news/pressreleases/Details/5042>. Kentucky Department for Medicaid Services, *Medicaid Pharmacy Pricing: Opening the Black Box* 5, 8 (Feb. 19, 2019), https://chfs.ky.gov/agencies/ohda/Documents1/CHFS_Medicaid_Pharmacy_Pricing.pdf.

CC:

[Honorable Members of the House Committee on Corporations](#)

[The Honorable Christopher Blazejewski](#), Majority Leader
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[The Honorable K. Joseph Shekarchi](#), Speaker of the House
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