



January 30, 2024

The Honorable Joseph J. Solomon, Jr.
Members, House Corporations Committee
House Lounge - State House
82 Smith St.
Providence, RI 02903

RE: H 7139 AN ACT RELATING TO INSURANCE -- CONTROL OF HIGH PRESCRIPTION COSTS -- REGULATION OF PHARMACY BENEFIT MANAGERS; Opposed

Chair Solomon and Members of the Committee,

On behalf of the Pharmaceutical Care Management Association (PCMA), I write to you in opposition of H.B. 7139. PCMA is the national association representing pharmacy benefit managers (PBMs), which administer prescription drug benefits for millions of Americans with health coverage provided through large and small employers, health plans, labor unions, state and federal employee-benefit plans, and government programs.

PBMs exist to make drug coverage more affordable. This is achieved by pooling the buying power of millions of patients and leveraging that buying power to obtain lower prices for prescription drugs through price discounts from retail pharmacies, rebates from pharmaceutical manufacturers, and using lower-cost dispensing channels. Though employers, health plans, and public programs are not required to use PBMs, most choose to use a PBM because PBMs lower the costs of prescription drug coverage, saving payers and patients an average of \$1,040 per person per year in Rhode Island.

H 7139 Limits Plan Options by Banning Spread Pricing

Another plan design option for employers and plan sponsors is called a pass-through pricing arrangement. Under a pass-through pricing arrangement, the plan sponsor is responsible for the full cost of the drug. Any discounts or rebates negotiated by the PBM are passed on to the health plan. In this pricing arrangement, the PBM collects a fee from the client as reimbursement for the services performed. This approach may involve more variation in cost along with drug price fluctuation due to drug shortages, patent expirations, and other market pressures.

The Pharmaceutical Strategies Group (PSG) released a 2023 Trends in Drug Benefit Design report, which details plan design trends and strategies. The survey results showed that 34% of employers, the majority of which were small employers, choose spread pricing arrangements because they value the stability and predictability that this pricing strategy provides.¹ This study

¹ PSG. (2023). 2023 Trends in Drug Benefit Design Report. https://rxss.com/wp-content/uploads/2023/06/PSG_Benefit_Design_Report_2023.pdf



highlights the value in *maintaining multiple plan design options*. If H.B. 7139 is enacted, employers and plan sponsors will be forced into one plan type.

H 7139 Impacts Patient Safety and Increases Cost by Eliminating Utilization Management Tools

Utilization management tools such as prior authorization and step therapy are designed to:

- ✓ Improve quality and promote evidence-based care.
- ✓ Protect patient safety.
- ✓ Address areas prone to misuse.
- ✓ Reduce unnecessary spending.

Prior authorization and step therapy requirements are guided by *independent experts*. Physicians, pharmacists, and other medical professionals make up a Pharmacy and Therapeutics (P&T) committee, tasked with the development of clinically appropriate and evidence-based guidelines used to set a health plans formulary and drug management programs.

Patient safety is safeguarded with utilization management requirements. Prior authorization is used for drugs that have potentially dangerous, even potentially fatal, interactions when used with other drugs. Prior authorization ensures that medications are safe, effective, and provide value for specific populations or subpopulations who may be affected differently by a medication (e.g., antipsychotic medications in children and adolescents).

Health plans use utilization management tools to control the cost of drugs. Studies show prior authorization and step therapy reduce drug by ensuring appropriate and cost-effective use of high-cost and high-risk drugs. If Rhode Island implements prohibitions on utilization management tools, projected drug costs for fully insured employers and commercial health plans would *increase by \$212 million in the state over the next ten years*. Prior authorization can generate savings of up to 50% for targeted drugs or drug categories² while step therapy has demonstrated savings of more than 10% in targeted categories.³

H 7139 undermines the ability of health plans to manage patient safety and control costs.

H 7139 Affects the Ability to Manage Networks

PBM network pharmacies compete on service, convenience and quality to attract consumers within a particular plan. This competition helps keep the rising costs of prescription drugs down while also prioritizing patient's health and wellbeing. By building networks of pharmacies, patients have convenient access to prescriptions at discounted rates.

Today, nearly half of all employer-sponsored plans use preferred networks H 7139 would

² "Specialty Utilization Management Proves Effective: Ampyra Prior Authorization Improves Safety and Saves Money," Prime Therapeutics, 2011."

³ Yokoyama, et al., "Effects of a step therapy program for angiotensin receptor blockers on antihypertensive medication utilization patterns and cost of drug therapy," J Manage Care Pharm. 2007;13(3):235-244.



essentially strip away the ability of payers to exercise these cost control measures. In the run-up to the implementation of Medicare Part D, Congress asked the Federal Trade Commission (FTC) to study if PBM-owned mail order pharmacies would pose a conflict of interest. The FTC produced a voluminous study concluding that no such conflict existed.⁴ The 2005 study still reflects the current views of the FTC.

Oppose H 7139

In the interest of Rhode Island patients and payers, it is for these problematic provisions noted above that we must respectfully oppose H 7139. Given the unique environment Rhode Island citizens and plan sponsors find themselves in, now is not the time to increase the cost of providing reliable and affordable access to prescription drugs.

Sam Hallemeier

A handwritten signature in black ink, appearing to read "Sam Hallemeier".

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⁴ Federal Trade Commission. (July 2023). Pharmacy Benefit Managers: Ownership of Mail-Order Pharmacies.
https://www.ftc.gov/sites/default/files/documents/reports/pharmacy-benefit-managers-ownership-mail-order-pharmacies-federal-trade-commission-report/050906pharmbenefitprt_0.pdf