

April 11, 2024

The Honorable Joseph J. Solomon, Jr., Chair
House Committee on Corporations
The State House
82 Smith Street
Providence, RI 02903

Via email: HouseCorporations@rilegislature.gov

**RE: H 7720 RELATING TO INSURANCE -- PHARMACY FREEDOM OF CHOICE -- FAIR
COMPETITION AND PRACTICES: Opposed**

Dear Chair Solomon and Members of the House Committee on Corporations:

Thank you for the opportunity to comment on H 7720. I represent Prime Therapeutics (Prime), a pharmacy benefit manager (PBM) owned by 19 not-for-profit Blue Cross and Blue Shield Insurers, subsidiaries, or affiliates of those Insurers, including Blue Cross & Blue Shield of Rhode Island. H 7720 will significantly **increase the cost of health care for Rhode Island citizens** by requiring PBMs to reimburse pharmacies at a higher ingredient cost and a higher dispensing fee. For this reason, Prime opposes H 7720.

Prime helps people get the medicine they need to feel better and live well by managing pharmacy benefits for health plans, employers, and government programs including Medicare and Medicaid. Our company manages pharmacy claims for more than 30 million people nationally and offers clinical services for people with complex medical conditions. Our business model relies on transparency and advocating for simpler, lowest-net-cost pricing for drugs. Importantly, Prime is not focused on driving profit margins.

H 7720 Will Raise Costs for Rhode Island Citizens

H 7720 requires plans to reimburse pharmacies at the National Average Drug Acquisition cost (NADAC) plus the Medicaid dispensing fee rate. NADAC is based on the retail price survey and focuses on the retail community pharmacy acquisition costs. The Medicaid program in Rhode Island reimburses pharmacies at the lowest ingredient cost, which may not be NADAC. **Requiring commercial health plans to reimburse at the highest ingredient cost and the highest dispensing fee level will substantially increase the cost of drugs for Rhode Island Citizens.**

Pharmacy and PBM Contracting

It is a common misconception that pharmacies do not have bargaining power in contract negotiations with PBMs. While pharmacies have the option to contract directly with a PBM, the majority of independent pharmacies utilize the services of a *Pharmacy Services Administrative Organization* (PSAO) to negotiate with PBMs on their behalf.

PSAOs contract with many independent pharmacies and then use this collective bargaining power negotiate reimbursement rates from payers, insurers, and PBMs on behalf of the pharmacies that contract with them.

Many of the PSAOs are owned by a wholesaler. The contract between a pharmacy and PSAO may require the pharmacy to exclusively order their drugs from that same wholesaler. By requiring the pharmacy to order up to **90%** of their drug product based on the wholesaler and PSAO agreement, a pharmacy may need to purchase a more expensive generic drug product. **This exclusivity requirement may prevent a pharmacy from purchasing a lower-priced drug available at a different wholesaler.**

H 7720 will have the unintended consequence of increasing the cost of healthcare for Rhode Island Citizens and removing the incentive for pharmacies to purchase drugs at the lowest available cost.

I urge the committee to consider the cost impact to Rhode Island employers and citizens. I welcome the opportunity to further discuss these concerns and work towards evidence-based solutions to help people get the medicine they need to feel better and live well. Thank you for your time and consideration.

Respectfully,



Michelle Crimmins

Government Affairs, Prime Therapeutics

Telephone: 612.329.3245 | Email michelle.crimmins@primetherapeutics.com