



April 11<sup>th</sup>, 2024

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

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

Chair Solomon and Members of the Committee,

On behalf of the Pharmaceutical Care Management Association (PCMA), I write to you in opposition to H 7720. 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 7720 proposes costly changes to the pharmacy market in Rhode Island. Although the assumption is this assault on pharmacy benefit managers will lead to lower drug costs for the consumer, this proposed change does nothing to lower consumer drug costs. In fact, the passage of H 7720 will place added costs onto Rhode Island private and public employers and their employees while subsidizing for-profit pharmacies.

“No matter how much a pharmacy spends to acquire a drug, they are guaranteed they will be repaid at least that amount, and likely more.”<sup>1</sup> When employers and other plan sponsors are required to reimburse pharmacies at whatever cost the pharmacy purchases<sup>2</sup> a drug or using a specific cost-based methodology, an important cost and quality restraint is removed from the drug supply chain. These kinds of “guaranteed profit” requirements impose a “blank check” approach to reimbursement and undermine affordability for patients.

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<sup>1</sup> David A. Hyman. The Adverse Consequences of Mandating Reimbursement of Pharmacies Based on Their Invoiced Drug Acquisition Costs. January 2016

<sup>2</sup> Because of rebates and discounts, pharmacies' invoiced prices may not reflect actual drug acquisition costs – further inflating the potential for guaranteed profits.



Pharmacy reimbursement requirements promote use of off-invoice discounting, which decreases transparency of drug prices and further hamstrings pricing competition. If the goal is to understand exactly how much drugs cost, it is necessary to consider all discounts and rebates associated with pharmacies' actual purchase price – whether they appear on an invoice or are recorded elsewhere. Survey-based reimbursement methodologies or reliance on pharmacy invoices cannot do that. Rather, they can lead to cost inflation (as high as 10%)<sup>3</sup>, guaranteed profits for certain drug supply chain actors, and reduced transparency – all at the expense of patients, taxpayers, and plans.

### **Oppose H 7720**

In the interest of Rhode Island patients and payers, it is for these problematic provisions noted above that we must respectfully oppose H 7720. 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 "S. Hallemeier", is positioned above the typed name.

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<sup>3</sup> Washington Health Care Authority Fiscal Note for SSB 5857. See [https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=2483&context=faculty\\_publications](https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=2483&context=faculty_publications).