PCMA

March 6th, 2025

The Honorable Susan Donovan
The Honorable Joshua Giraldo
Members, House Health and Human Services Committee
House Lounge - State House
82 Smith St.
Providence, RI 02903

RE: H 5254 AN ACT RELATING TO INSURANCE – PHARMACY FREEDOM OF CHOICE – FAIR COMPETITION AND PRACTICES; Opposed

Chair Donovan, Chair Giraldo and Members of the Committee,

On behalf of the Pharmaceutical Care Management Association (PCMA), I write to you in opposition of H 5254. 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.

Plan sponsors hire PBMs to manage prescription drug benefits and contain costs for the plan. To that end, PBMs harness competition in the pharmacy market to ensure plans and patients get the best prices for prescription drugs. Eliminating business-to-business reimbursement negotiations and instead setting minimum rates—typically at the National Average Drug Acquisition Cost (NADAC) and a minimum dispensing fee—for pharmacies dispensing drugs to patients covered by private health coverage would add to the ever-growing list of costs.

H 5254 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 5254 will place added costs onto Rhode Island private and public employers and their employees while subsidizing for-profit pharmacies.

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"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."[1] When employers and other plan sponsors are required to reimburse pharmacies at whatever cost the pharmacy purchases[2] 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.

Recently, the Louisiana State Legislature analyzed the costs of a proposed rate-setting policy for its government-sponsored health programs that would have eliminated competitive dispensing fees and ingredient costs. For the roughly 200,000 members enrolled in the state's group plan, the increase in dispensing fee would have cost the state—as payer— at least $48 million more per year,7 with no added value to patients. In 2022, West Virginia began requiring pharmacy benefit managers (PBMs), who work on behalf of plan sponsors, to reimburse pharmacies using the National Average Drug Acquisition Cost survey plus a $10.49 dispensing fee.8 Using prescription drug data from one PBM's experience in West Virginia and applying that to all commercial market prescriptions filled in the state, this law could have increased West Virginia drug spending by over $113 million ($140 per commercially insured person) in just one year.9 That's a 13% increase in commercial retail drug spending.

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%)[3], guaranteed profits for certain drug supply chain actors, and reduced transparency – all at the expense of patients, taxpayers, and plans.

In the interest of Rhode Island patients and payers, it is for these problematic provisions noted above that we must respectfully oppose H 5254. 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.

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[1] David A. Hyman. The Adverse Consequences of Mandating Reimbursement of Pharmacies Based on Their Invoiced Drug Acquisition Costs. January 2016

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

[3] Washington Health Care Authority Fiscal Note for SSB 5857. See https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=2483&context=faculty_publications.

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