

Testimony on House Bill 4122-Licensure of Pharmacy Benefit Managers
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Co-Chair Thompson, Members of the Committee for the record my name is Lis Houchen. I'm the NW Regional Director for the National Association of Chain Drug Stores (NACDS). NACDS members in Oregon include Costco, Haggen/Top Food, Health Mart Systems, Hi-School Pharmacy, Medicine Shoppe, Pharmaca Integrative, Rite Aid, Safeway, Sears/Kmart, Shopko, Supervalu/Albertsons, Target, Walgreen and Wal-Mart. Chain pharmacies in Oregon employ over 43,000 full and part-time employees, and pay over \$240 million in state and local taxes.

I am here in support of House Bill 4122 which would require pharmacy benefit management companies to be licensed by the Board of Pharmacy and as part of that licensure to disclose how they determine pricing and the financial remuneration they receive from those other than the companies with whom they contract to provide services.

Pharmacy benefit management companies are middlemen that design, negotiate and manage prescription drug benefits for a variety of health plans including large and small employers, unions, large and small insurance plans and the government.

As an industry they are virtually unregulated. Although they will say they are regulated by the State Board of Pharmacy that is only to the extent they own a mail order pharmacy and only the activities of the mail order pharmacy are regulated by the Board of Pharmacy. They may also allude to being regulated by the State Insurance Commissioner however the Commissioner directly regulates health insurers who then subcontract with pharmacy benefit managers.

The bill before you today is about licensure and as part of the licensure process, the disclosure of not only how the pharmacy benefit managers set prices, but also from where they derive their income.

Although pharmacy benefit managers are paid for their services through contracts with companies, insurers, government etc, the bulk of their income is derived through rebates and discounts. These rebates and discounts are incentives for the pharmacy benefit managers to often promote branded drug products over more cost effective generics.

Pharmacy benefit management companies do contract with chain and independent pharmacies to provide prescription drugs and pharmacy services. However, what the pharmacy benefit manager pays the pharmacy is significantly less than what they charge the companies for the same drugs and services. Additionally, most pharmacy benefit management companies have their own mail order pharmacies so put in place mandatory mail order provisions, or in some cases voluntary mail order provisions with financial incentives to use the mail order pharmacy.

This bill begins an oversight process on an industry that contributes to the skyrocketing health care spending and poses artificial barriers that limit patient choice. Thank you for your time today and we respectfully ask for your support of this legislation.