

HB 4122 – PBM Transparency

Messrs. Co-chairmen and Members of the Committee,

My name is Marcus Watt and I have been a pharmacist in Oregon for more than 34 years, most of that time spent in retail pharmacy. Also, I was a member of the Oregon Board of Pharmacy member from 2000 to 2008, and served two terms as the Board's President. I am here today representing Walgreens which has 77 locations across the state and employs nearly 2,000 Oregonians. I respectfully ask for your support of HB 4122.

As you know, HB 4122 will require pharmacy benefit managers (PBMs) to register with the Oregon Board of Pharmacy and will provide transparency of PBM practices. Transparency of PBM practices will benefit thousands of Oregonians who receive quality pharmacy care from Walgreens and its partners that provide healthcare. The disclosure requirements detailed in the legislation will end PBM secretive business practices and lead to more accessible and affordable healthcare for Oregonians.

PBMs Operate in Secret

Across the country, PBMs manage over \$90 billion in drug spending each year, and they do so in virtual secrecy. As originally constituted, PBMs helped lower costs of pharmacy benefits by streamlining pharmacy benefit procedures and negotiating lower prescription drug costs for payers and patients.

However, for many years, PBMs operated in a business atmosphere where few competitors and little oversight existed, either in the form of government regulations or client understanding. As a result of this environment, PBMs quietly changed their focus from financial savings for their clients and patients to profit making for themselves. PBMs increased the gap between what they charged payers for their services and what they paid out in actual pharmacy claims. PBMs easily hid vast amounts of rebates and other payments received from manufacturers to steer prescriptions to their products (interfering in the relationship between patients and their healthcare providers, both physicians and pharmacists).

The operating practices of PBMs have come under more scrutiny over the last several years. As payers and governments gain more healthcare pricing expertise, PBMs now receive more attention. Unfortunately, without laws that require PBMs to "open the books," PBMs claim their practices, pricing, and profits as proprietary.

PBMs "negotiate" with retail pharmacies to provide prescription drugs to their covered patients at rates that are at or below the cost of the pharmacy to provide the medications. They also negotiate separately with the insurance companies that are paying for the service and they do so without disclosing the payment rate to the pharmacies.

In addition, PBMs negotiate discounts from drug manufacturers for increasing the utilization of their drugs. The discount amounts are not provided to the insurance company who is paying for the service, and the assumption is that PBMs are keeping most of these rebates to improve their own profitability. Rebate activity can also take away from a physician's choice of therapy, many times forcing them to prescribe the drug with the best rebates rather than the drug that will provide the best outcome.

Transparency Saves Money

PBM transparency has been shown to save money for both consumers and the health plans that cover them. Some examples are:

Texas - estimates savings of \$265 million by switching to a transparent PBM contract.

Wisconsin - saved over \$30 million by switching to a transparent PBM.

House Bill 4122 will allow payors and patients to more accurately assess their true healthcare costs and make better, more informed decisions about their healthcare options.

Messrs. Co-chairmen and members of the committee, thank you for allowing me to testify today.

I respectfully ask for your support of HB 4122.