



Oregon Pharmacy Coalition

One voice for pharmacy and the patients we serve, advocating public health policy to ensure the best use of medications.

Chair Monnes-Anderson and members of the Senate Health Committee:

My name is Michael Millard, and I am a professor at the Pacific University School of Pharmacy and one of the legislative liaisons for the Oregon Pharmacy Coalition. I am here today representing the Oregon Pharmacy Coalition

I am testifying today in support of SB 363 and 402, provisions to protect Oregon patients and pharmacies from the predatory and monopolistic business practices of national conglomerate Pharmacy Benefits Managers (PBM) who are attempting to manipulate prescription drug use and payment for their own profit.

The two predatory business practices under discussion today are prescription pricing practices and mandatory use of out of state mail order pharmacies by plan beneficiary's used by national conglomerate Pharmacy Benefit Managers to eliminate competition and reduce patient choice and access to affordable prescription drugs.

1. The PBM begins by contracting with plan pharmacies for drug reimbursement based on a "Maximum Allowable Cost" or MAC that limits the cost paid for certain specific generic drug entities. Since these generic drugs are available from multiple manufacturers, this was, historically, a way to ensure that pharmacies and pharmacists selected cost effective alternatives for dispensing to the patient.

However, over the years it has now become a market manipulation to price drugs at levels that have no relationship to what pharmacies in Oregon can purchase drug for, and this disassociation allows the PBM to drive out competitors that do not have access to nationwide or large market pricing. It also creates instability and uncertainty into PBM contracting, as the reimbursement is unrelated to actual acquisition cost, but instead is a moving target that changes from hour to hour. It is easy to see that this has no relationship to encouraging prudent drug purchase, but to drive small competitors out of the market.

2. The PBM then follows this by mandating that prescriptions must be filled by patients in large automated prescription mills that receive prescriptions and supply prescription medications to plan beneficiaries by mail or other home delivery service. These large robotic prescription mills can provide efficient, accurate, and low cost prescription drugs to appropriate clients and have a legitimate place in the provision of prescription drugs. The cost per prescription is lower in these operations due to reduced personnel and ability to buy pharmaceuticals at more favorable prices.

However, these systems cannot and should not be the exclusive prescription drug distribution method. There are many patients that require encouragement, consultation, monitoring, and assistance of pharmacists to maintain their medication compliance and good health outcomes. I suggest the committee's parents or elderly constituents may come to mind as examples. There are many patients that prefer to have the convenience of being able to obtain their prescription drugs on short notice, rather than wait 1-2 weeks for the mail order pharmacy to respond to their request for refill medication. In addition, about 40% of prescriptions are needed on an urgent or immediate basis,

Support of SB 363 and SB 402 by Oregon Pharmacy Coalition

such as pain medications and antibiotics, which require a convenient pharmacy in the local area for treatment.

Many large national conglomerate PBM's also own these mail order prescription mills. The conflict of interest of requiring patients to use self-owned pharmacies to enhance profits from both of your businesses is obvious. What may not be obvious is that the savings that might be present is NOT passed on to the patients or insurance plans, but retained in the PBM organization to fund exorbitant executive lifestyles and excess profits that can be noted in the annual reports of these PBM's.

PBM's and centralized prescription control is also not consistent with the Legislature's hard work with the Transformation of Health Care and the CCO experiment. As local CCO's take on risk and begin to manage their patients to meet health outcomes, they will not want their drug therapy choices dictated by a national conglomerate's rebate and purchasing strategy. Drug selection decisions will need to be made on therapeutic outcomes and overall health costs in the CCO, not at a corporate office on the East Coast. Many PBM strategies of drug utilization manipulation such as prior authorization, restrictive formularies, stepped therapy, tiered benefits and co-insurance are bureaucratic and unnecessary in the CCO and ACO based reimbursement methods. By definition, PBM's are silos of cost, incented to maximize savings in drug cost at the expense of other health care costs. This is the thinking that the Legislature is striving to change. CCO's may need to increase drug costs to prevent admission to the hospital, visits to the ED, or return visits.

Oregon pharmacies need your support to help regulate these corporate monopolies that threaten the well-being of Oregonians and the livelihoods of Oregon pharmacists who serve them. The PBM's are incented to eliminate all local competing pharmacies so that the only way to obtain prescription drugs is to deal with their owned pharmacies. What began as a needed coordination and claims processing role has developed into a predatory business model. If allowed to manipulate the market, all profitability will be eliminated from the patient care model of the community pharmacy. The only access to prescription drugs will be from outlets that have other reasons to have a non-profit activity for marketing or retail traffic building purposes. There will be no free standing community pharmacies to serve patients. This will be of special hazard in the many rural communities that do not have big box mass merchandisers present in their community.

The regulation and control of PBM's will decide if your constituents will have the opportunity to have the health care services that have been provided by dedicated and professional pharmacists for hundreds of years. In a time where prescription drug abuse is one of the largest problems facing Oregonians, it is time to protect and encourage the local, individualized and patient centered care that pharmacists have always provided.

This issue is complicated and I welcome the opportunity to answer any questions you may have. Thank You.