
HOUSE BILL 2123 TESTIMONY

Representative Greenlick:

My name is Chris Brown, and I am the Vice President of Sales at PayLess Drug, an Oregon based pharmacy, and I am testifying on behalf of the Oregon Pharmacy Coalition. During most of my adult life I have been involved in the business side of pharmacy. I've worked for a mail service pharmacy, a retail chain, a giant PBM, and now a long term care pharmacy.

What I have observed during my time is the concentration of financial power in the hands of a few large PBMs. Approximately 2/3 of the country uses either Caremark or Express Scripts, and that gives them great power. In 2012, Walgreens left the Express Scripts network over reimbursement. They lasted 6 months. If the nation's largest pharmacy cannot negotiate effectively with a PBM network, I contend no one can.

One of the reasons this has happened is because PBMs make their money on MAC spread. Simply put, they use market complexity as a reason to obscure what they will pay a pharmacy. And because of their power, they can. Because of this dysfunction, we are seeking legislative redress to restore the proper functioning of the market.

A BROKEN MARKET

Why do I say the market is broken? It is the nature of business and free markets that buyers and sellers haggle over price. The overall public goods of efficiency, increased wealth and utility are expanded by these many private transactions. For that to happen, though, willing buyers and sellers have to have clear pricing to haggle over. The current PBM market actively prohibits those conversations.

If I wish to go to my largest plan sponsor to talk about reimbursement, I cannot do so. I have to communicate with the PBM. If I lower my rates, I don't even know who is getting the money.

A SIMPLE REMEDY

What is the nature of our remedy? Simple disclosure.

Section 4 of House Bill 2123 requires PBMs to disclose to their contracted parties their MAC pricing on a regular basis. All we are asking for is information on the pricing in our contracts on a regular basis.

This will allow the market to function again. A pharmacy will be able to look at a PBM contract and have an idea of what they will be paid. That certainty encourages investment and planning. PBMs regularly provide guidance and guarantees on generic discounts to their clients, the plan sponsors. We would like the same courtesy.

Lastly, disclosure will be provided to all plan sponsors on how much they are actually paying the PBM. Section 4, paragraph 6d requires the PBM to Plan sponsors will learn how much of what they pay goes to the pharmacy and how much the PBM retains.

Which is easier to understand and assess?

- I charge \$4.00 per claim for my services
- I keep the difference between what you pay me on the MAC I sold you and what I pay the pharmacy on their MAC

NOT A GIVEAWAY

Lastly, this isn't a giveaway to pharmacies. We aren't asking for a nickel more in higher pricing. We are asking for what everyone wants when they agree to a contract: a fair understanding of what we are expected to do and what we will be paid. That is all.

Because this is so simple, similar bills in Kentucky and North Dakota have passed **unanimously**.

Thank you.