

Statement of Sean Karbowicz, Pharm.D. R.Ph, RegenceRx
Hearing on HB 2123, Pharmacy Benefit Management Legislation
House Committee on Health Care
March 15, 2013

Chair Greenlick and Members of the Committee:

My name is Sean Karbowicz. I am a pharmacist, and I am appearing on behalf of RegenceRx to provide testimony in opposition to House Bill 2123.

RegenceRx is a pharmacy benefit management (PBM) program that serves Regence BlueCross BlueShield, the not-for-profit Oregon health plan. Regence Rx performs evidence-based assessments of medications and provides educational tools for our members and our doctors. Through our vendor partners, we contract with pharmacies and provide prescription claims processing. We currently provide over 300,000 Oregon residents with a pharmacy benefit.

One of the greatest challenges we face is ensuring that the state's residents have access to high-quality, affordable health care. At RegenceRx, we believe that making quality care more affordable is a shared responsibility. House Bill 2123 is bad for patients and will raise prescription costs. I urge you to VOTE NO on House Bill 2123.

PBM Regulation:

Pharmacy Benefit Managers (PBMs) contract with health plans to manage the cost and quality of the plans' drug benefits. Licensing of PBMs by the Board of Pharmacy creates a conflict of interest. This would mean that the Board of Pharmacy, which is comprised of mainly pharmacists, would oversee the businesses that contract with pharmacists for their services. The Federal Trade Commission indicated that a similar bill in Mississippi would raise prescription drug costs for consumers and reduce competition.¹

Pharmacy Audits:

Audits of pharmacies are necessary to detect fraud, waste and abuse, as well as validate data entry and documentation to ensure they meet regulatory requirements and contractual obligations.

Recognizing that audits of pharmacies can be disruptive and unpleasant, in January 2012 the Academy of Managed Care Pharmacy partnered with pharmacist representatives from community pharmacies, PBMs, the American Pharmacist Association, and other pharmacy professionals to author Model Audit Guidelines for Pharmacy Claims.² These guidelines serve as best practices, and have been used to shape mutually-acceptable legislation in several states, including Utah.

As written, House Bill 2123 does not align with these audit standards, and will significantly limit the potential effectiveness of audits and reduce the ability of PBMS to identify fraud, waste and abuse.

Mail Service Pharmacy:

House Bill 2123 directly reduces the ability of health plans and health care purchasers to encourage mail order pharmacy services. This is bad for patients and will raise prescription costs.

For appropriate patients and medications, mail service pharmacies can be a valuable option that improves patient safety, offers member convenience, and maintains affordability of prescription benefits.

- Patient Safety and Convenience:
 - o According to a published study, dispensing error rates are lower at mail service pharmacies than at retail pharmacies.³ This means that mail order pharmacies may improve patient safety.
 - o Studies also suggest that patients using mail service pharmacies have higher adherence rates than patients using retail pharmacies.³ As a result patients are more likely to benefit from their medications.
 - o Many pharmacies with specific expertise and demonstrated competencies in “specialty medications” conduct the majority of their business by mail. House Bill 2123 directly prevents health plans from incentivizing patients to use these high quality pharmacies. House Bill 2123 does not distinguish between specialty pharmacies and other mail service pharmacies.

- Medication Costs:

According to a Congressional Budget Office report, mail order providers are generally able to pay less for medications than retail outlets.⁵ By driving adherence and volume, medication costs can be lowered because mail service pharmacies can negotiate lower medication costs from wholesalers or manufacturers. These lower costs may be passed to members in the form of financial incentives, so patients save money on their medications.

MAC Pricing:

House Bill 2123 will adversely impact any health plan that uses a pharmacy benefit manager (PBM) to manage their drug costs or, for that matter, any company that manages a drug benefit. This includes the state prescription drug plan, all employer plans, union plans, workers’ compensation plans, and third-party administrators.

- MAC Pricing is used in every state in the country and incentivizes pharmacies to be judicious when purchasing generics.
- MAC Pricing is a tool that ensures that the employers we serve and their employees (our members) get the most competitive, market-based price available. House Bill 2123 benefits pharmacies and not the consumer or the patient.
- House Bill 2123 allows pharmacies to buy drugs at discounted, generic competitive prices yet be reimbursed at significantly higher rates. House Bill 2123 increases prices for other drugs by

removing them from MAC pricing and moving them back to brand-like pricing, even though there are older, deeply discounted drugs in the marketplace, by using different definitions of what generics can have MAC pricing from what generics a pharmacist can dispense. This means plan sponsors will pay more for drugs and consumers may pay higher copays and premiums.

House Bill 2123 will make it more expensive to manage the cost of generic drugs. On behalf of the members we serve, I urge you to vote no on House Bill 2123.

Thank you for the opportunity to appear before the Committee.

References:

1. Federal Trade Commission, FTC File No. V110005
2. Model Audit Guidelines for Pharmacy Claims. Academy of Managed Care Pharmacy. January 2012. Available at: www.amcp.org/audit
3. Teagarden, J.R., et al., "Dispensing Error Rate in a Highly Automated Mail-Service Pharmacy Practice," *Pharmacotherapy*, November, 2005.
4. See: Hermes M., et al., "Adherence to Chronic Medication Therapy Associated with 90-Day Supplies Compared with 30-Day Supplies," *Journal of Managed Care Pharmacy*, 2010, 16:141-142; Duru, K., et al., "Mail-Order Pharmacy Use and Adherence to Diabetes-Related Medications," *The American Journal of Managed Care*, January, 2010; Zhang, L., et al., "Mail-Order Pharmacy Use and Medication Adherence among Medicare Part D Beneficiaries with Diabetes," *Journal of Medical Economics*, October 2011.
5. Prescription Drug Pricing in the Private Sector. US Congressional Budget Office. January 2007
6. Where We Stand on Mail Service Pharmacies. Academy of Managed Care Pharmacy. December 2012. Available at <http://www.amcp.org/WorkArea/DownloadAsset.aspx?id=15981> Accessed 3-4-2013