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Honorable Members of Oregon House Committee on Health Care
Honorable Mitch Greenlick, Chairman
Oregon State Legislature
900 Court St. NE
Salem Oregon 97301

RE: Support of HB 2875 Enhancements

Dear Honorable Greenlick and Members of Oregon House Committee on Health Care,

Pharmacy Benefit Management Companies (PBM's) continued market consolidation, continued lack of transparency, and continued unfair practices in terms of pharmacy compensation and fee payments are continuing to strangle the retail pharmacy marketplace. These essentially unfair practices, collaboration of the PBM industry with insurance providers, and PBM mail order incentives have created a pharmacy marketplace with virtually unsustainable margins for the independent pharmacy business to survive.

Recent PBM acquisitions and mergers such as the recently announced United Health Care (Insurance Provider) purchase of Catamaran (PBM) for $12.5 billion, and the 2012 $29 billion consolidation of Express Scripts (PBM) and Medco (PBM) are indicative of the control and revenue potential that these companies posses in this market. There are now only three PBM's controlling over 90% of the pharmacy contracting marketplace. Contracts offered to independent pharmacies by the PBM's continue to have declining reimbursement and increasing service requirements.

Every PBM has direct ownership in a mail order pharmacy service in which clients are incentivized to utilize for long-term and chronic maintenance medications in return for lower co-payments (out of pocket expenses). In turn, the PBM's are receiving rebates directly from drug manufacturers for the inclusion of their medications on formulary lists as preferred agents, which in essence provides these products to PBM owned entities are far less acquisition cost than that paid by independent and non-PBM owned entities. These rebate and acquisition cost transactions are closely held industry secrets and are certainly not transparent in their reporting.

Our organization owns and operates two retail pharmacies and with declining margins and increasing expenses, it has been challenging to keep these important health care entities accessible to the public in rural Oregon. It is a daily occurrence to process prescriptions with a negative margin due solely to the fact that PBM's do not update and maintain current Maximum

Allowable Cost (MAC) pricing definitions. The MAC process becomes an ambiguous definition that is routinely changed to assure maximum PBM revenue and minimum pharmacy reimbursement. MAC issues are so widespread that no less than 17 other states have enacted laws in an effort to bring about transparence and fairness in the marketplace. By current PBM contract standards, pharmacies participating in these contracted networks are not allowed to refuse to fill prescriptions that result in a negative margin. In almost all instances, the negative margins are the result of an inaccurate MAC number being applied by the PBM to a prescription claim. The remediation process is typically a long and complex process to resolve, requiring time that today's high volume independent pharmacies don't have in a typical work-day. These MAC lists are fluctuating and inconsistent in their pricing, and consequently result in many inaccurately reimbursed pharmacy claims.

I ask that you carefully review and contemplate HB2875 and the proposed enhancements while considering the control that these multibillion dollar PBM's have over the entire health care industry. It is no secret in the pharmacy profession that these PBM's are huge revenue generating machines that are slowly choking the life out of the independent and even chain pharmacy operation. These enhancements provide some element of relief to the retail pharmacy profession and will assist in sustaining access to high quality and affordable health care for all consumers.

Sincerely,

John E. Adams, RPh., MBA