



Any Willing Pharmacy and Preferred Networks: Working at Cross Purposes

Health plans and pharmacy benefit managers rely on selective contracting with pharmacies to achieve quality and savings for patients, while maintaining wide member access to retail pharmacies. Pharmacies that agree to participate in such arrangements are designated as “preferred,” and become members of a preferred pharmacy network. These networks are based on several elements that distinguish them from standard networks, such as:

- **Exclusivity.** Pharmacies participating in a preferred network can count on a predictably higher volume of sales. Increased sales mean that the pharmacy can pass savings on to patients by setting lower product prices and/or lowering dispensing fees—while still meeting its bottom line.
- **Enhanced Level of Services.** Plan sponsors typically require preferred pharmacies to deliver higher levels of service (e.g., enhanced clinical review and management) and access (e.g., open more hours per day).
- **Emphasis on Quality.** Participating pharmacies are typically required to comply with quality of care factors measured by Medicare Star Ratings or recommendations from standard-setting bodies such as the National Committee for Quality Assurance (NCQA), URAC, or the Pharmacy Quality Alliance (PQA).
- **Value-Based Innovation.** Preferred pharmacy networks are more likely to participate in value-based care activities, such as those with Accountable Care Organizations (ACOs) and Preferred Provider Organizations (PPOs) where services are rated on quality, cost, and efficiency factors.
- **Reduction of Fraud, Waste and Abuse.** Preferred networks enhance a plan sponsor’s ability to exclude pharmacies that pose a higher risk of engaging in fraud, waste or abuse.

Any Willing Pharmacy Would Undermine Preferred Networks, Increase Fraud, and Raise Costs

Proponents of “any willing pharmacy” (AWP) laws claim that such requirements are intended to assure convenient access to retail pharmacies. In fact, AWP laws have several negative consequences:

- Requiring health plans to allow any pharmacy willing to accept its terms and conditions to participate in its networks severely restricts a plan’s ability to achieve higher levels of cost savings and enhance the quality of its pharmacy services for patients. If all pharmacies are in, no pharmacy will offer volume discounts.
- AWP is particularly detrimental in the context of preferred networks, because it undermines exclusivity—a fundamental aspect of such networks. As a result, plans may be forced to contract with pharmacies that are inefficient or provide inferior service.
- AWP also undermines a plan’s ability to conduct pre-contracting reviews to check whether a pharmacy’s stock of drugs is commensurate with the volume of prescriptions it handles, and to disqualify pharmacies with questionable ratios (i.e., who may be engaging in fraud or drug diversion) from network participation.

No Evidence that AWP Requirements Are Needed to Achieve Member Access

For 2015, 87% of Medicare Part D prescription drug plans will have a preferred cost sharing network, and according to a recent survey, 88% of beneficiaries are satisfied with their Part D plan. This survey also found that among Part D enrollees in rural areas and small towns, 89 and 86 percent, respectively, report having convenient access to a preferred pharmacy. Eighty-six percent and 91%, respectfully, of urban and

suburban Part D enrollees report being satisfied with their preferred pharmacy network plan. Simply said, there is no evidence of pharmacy access problems in commercial health plans that rely on preferred pharmacy networks. As an added benefit, research indicates that drug plans with preferred pharmacy networks can actually drive greater medication adherence for patients with chronic diseases.¹

FTC Has Consistently Found that AWP Laws Undermine Competition and Raise Consumer Prices

According to the Federal Trade Commission (FTC), cost savings generated by networks and selective contracting are passed on to consumers in the form of lower premiums, lower out-of-pocket costs, and better services, while AWP requirements lead to higher drug prices for the following reasons:

- When a retail pharmacy “faces no threat of sales losses if it fails to bid aggressively for inclusion in the payers’ networks,” it has no incentive to offer its most competitive terms.
- Opening networks to any willing provider reduces the volume of sales for all network participants, ultimately resulting in smaller discounts.

¹ Polinski, J. et al. Association Between Narrow Pharmacy Networks and Medication Adherence. *JAMA Intern Med.* Published online September 08, 2015.