**OPPOSE HB 1121**

**Eliminates Use of Preferred Pharmacy Networks, Increasing Consumers' and Employers' Costs**

- H.B. 11121 would take away the cost-savings provided by preferred pharmacies in a network by mandating that all pharmacies in the network have the opportunity to agree to the same terms and conditions regardless of whether they are qualified to do so.

- Health plans and pharmacy benefit managers (PBMs) 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 provider" 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.

- According to a recent report released by the Department of Mental Health and Hygiene in evaluating consumer access and pharmacy networks in Maryland's HealthChoice program, the Department found the following:

    - "The Department continues to believe that encouraging MCOs to utilize pharmacy benefit managers (PBMs) to limit their pharmacy networks represents an effective

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strategy for achieving substantial savings without jeopardizing access to needed medications and services. The adoption of an "any willing provider" (AWP) law that requires MCOs to contract with any willing pharmacy provider has been proposed as one mechanism for improving access to care for HealthChoice recipients. The Department opposes this approach."[1]

- By requiring health plans to allow any pharmacy willing to accept its terms and conditions to participate in its networks, this bill severely restricts a plan's ability to achieve higher levels of cost savings and enhance the quality of its pharmacy services for patients.

- 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.[2]

- 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.[3]

[1] Maryland Department of Health and Mental Hygiene, Letter to Sens. Kasemeyer and Middleton, Dels. McIntosh and Hammon, December 4, 2015, available at: https://mmcp.dhmh.maryland.gov/Documents/JCRs/MCOpharmacynetworksJCRfinal12-15.pdf.
[2] Polinski, J. et al. Association Between Narrow Pharmacy Networks and Medication Adherence. *JAMA Intern Med.* Published online September 8, 2015.
[3] Letter from Federal Trade Commissioner to Rhode Island Attorney Gen. Patrick C. Lynch, April 8, 2004.