



February 28, 2018

Senator Thomas M. Middleton
Chairman
Miller Senate Office Building, 3 East Wing
11 Bladen Street
Annapolis, MD 21401 - 1991

RE: S.B. 1023 – Health – Drug Cost Review Commission

Dear Chairman Middleton:

The Pharmaceutical Care Management Association (PCMA) is the national association representing America's pharmacy benefit managers (PBMs). PBMs administer prescription drug plans and operate mail-order and specialty pharmacies for more than 266 million Americans with health coverage through Fortune 500 companies, health insurers, labor unions, Medicare, Medicaid, and other programs.

PCMA has no position on S.B. 1023 as currently drafted.

Prescription drug launch prices and price increases are determined by the same supply-and-demand dynamics of countless other industries that manufacture products and use supply chains to get them to market. Pricing decisions are made unilaterally by manufacturers. There is no correlation between manufacturer price increases and the rebates and discounts they negotiate with PBMs.¹

The cost of prescription drugs has understandably garnered a lot of attention, particularly with the recent wave of high-priced, high-profile specialty drugs like Sovaldi. This development has imposed unique challenges on patients and the employers, unions, and government programs that hire PBMs to help make coverage more affordable. By negotiating price concessions from drug companies and recommending strategies that promote generics and more affordable pharmacies, PBMs have played a key role in retraining the rise of overall drug costs to low single-digit increases over the past few years. PBMs typically reduce costs by 30 percent² by, among other things, using their substantial scale and expertise to promote generics and negotiate aggressive rebates, discounts, and other price concessions with manufacturers to reduce premiums and cost-sharing.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "R. Scott Woods".

R. Scott Woods
Senior Director, State Affairs
Pharmaceutical Care Management Association

¹ Visante, Inc. Increasing Prices Set by Drugmakers; Not Correlated With Rebates, June 2017.

² Visante, Inc. Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers, February 2016.