



May 21, 2018

The Honorable John Bel Edwards  
Governor, State of Louisiana  
4<sup>th</sup> Floor, 900 N 3<sup>rd</sup> Street  
Baton Rouge, LA 70802

**Re: Veto Request for S.B. 29: Provides relative to a single uniform prescription drug prior authorization form**

Dear Governor Edwards:

On behalf of the Pharmaceutical Care Management Association ("PCMA"), the Louisiana Association of Health Plans ("LAHP"), and the Louisiana Business Group on Health ("LBGH"), (collectively "Requesters"), we must respectfully request your veto on S.B. 29. While Requesters did not have objection to the underlying bill as it moved through the legislative process, we have serious objections and concerns with an amendment regarding pharmacy credentialing and accreditation that was attached to the bill upon final consideration and passage. Specifically, this language found on Page 2, Lines 29-30 and Page 3, Lines 1-9 on the Enrolled bill, would amend and re-enact La. R.S. 22:1651 by adding a new subsection J. Also of concern is the fact that this legislation possesses a Governor's signature effective date, and therefore, would apply immediately to extant contracts. We are aware of no other state that has enacted similar legislation under these terms.

PCMA is the national trade association representing America's pharmacy benefit managers ("PBMs"), which administer prescription drug plans for more than 266 million Americans with health coverage provided through Fortune 500 employers, health insurance plans, labor unions, and Medicare Part D. LAHP is the voice for health plans and other organizations that comprise Louisiana's health benefits industry. As the state trade association for the industry, LAHP is committed to its broad-based membership, including all models of health benefits management and other organizations that embrace the provision of quality, cost-effective health care benefits. LBGH which represents over 200 Louisiana employers, consist entirely of stakeholders whose focus is to develop and sustain a purchaser, payer and provider partnership that will improve the quality and value of health care in Louisiana. LBGH is the only unified voice representing employers solely on health care issues in Louisiana.

S.B. 29 prohibits insurers and PBMs from requiring further licensure, accreditation, affiliation, registration, or credentialing, other than those required by federal or state government, of any pharmacy that wishes to

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participate in a pharmacy network. Requesters are deeply concerned that this bill will risk the health and safety of patients, in particular Louisiana's most vulnerable patients taking specialty or compounded prescription drugs. If an underqualified pharmacy dispenses a specialty or compounded drug without proper logistical and clinical support, patients will suffer. Within the medical industry, credentialing of medical professionals is widely accepted as a 'gold standard' for patient safety as well as promoting the best clinical outcome. The State of Louisiana implicitly recognizes the importance of provider credentialing in R.S. 22:1009, creating a standardized process and providing for standard forms for provider credentialing. Exempting pharmacies from this process would put Louisiana patients at risk of being treated by unqualified or underqualified providers or even defrauded. An insurer or PBM's ability to require additional accreditation or credentialing of pharmacies participating in their networks is vital to protecting patients and consumers from harm. Additional accreditation or credentialing, beyond the state's requirements, demonstrates insurers' and PBMs' commitment to meet the highest standards of patient safety. Purchasers of health insurance and related pharmacy benefits get the peace of mind that the networks are populated only by the best qualified providers for the particular prescription medication or drug therapy.

### **PBMs Create High Quality Pharmacy Networks in Louisiana**

PBMs ensure that patients, health insurance purchasers, and payers receive exceptional and affordable care through the practice of credentialing potential pharmacies within a network. The function of credentialing is to establish a high quality pharmacy network beyond a standard pharmacy license requirement. Credentialing is essential for PBMs to validate pharmacy providers prior to enrollment and network contracting. State licensure evaluations do not include measures to validate a pharmacy's ability to comply with contractual provisions and regulatory requirements (e.g. inventory control for pharmacy audits, compliance with Centers for Medicare and Medicaid Services (CMS), regulations for Medicare Part D plan sponsors). To protect patients from inferior services, pharmacies must meet the standards of credentialing as part of the terms and conditions for enrollment into a client's network. The Board of Pharmacy is charged with overseeing pharmacy practice and does not have expertise or visibility in managing a pharmacy benefit or creating provider networks. Consequently, a pharmacy being licensed by the Louisiana Board of Pharmacy is not a thorough and comprehensive assessment of pharmacy performance or patient safety.

### **Accreditation of Specialty Pharmacy and Credentialing of Compound Pharmacies Protect Patients and Payers**

Louisiana is an 'any willing pharmacy' state allowing pharmacies that agree to the terms and conditions of a contract to participate in-network. Nevertheless, S.B. 29 prohibits insurers and PBMs from assessing the

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quality and competency of pharmacies wishing to dispense delicate, complex and expensive specialty medications. URAC, a third-party commission that accredits specialty pharmacies, explained that, ‘because complex therapies and medications are expensive and require intense patient management strategies, insurance purchasers, payers rely on PBMs to manage utilization and reimbursement of specialty drugs. Many PBMs, in turn, seek out accredited specialty pharmacies to provide an elevated degree of competency—one that focuses on medication adherence and patient outcomes.’<sup>1</sup> Importantly, PBMs, health insurance purchasers like LBGH and health insurers do not financially benefit from pharmacies being accredited by third-parties such as URAC.

Accredited specialty pharmacies demonstrate to PBMs their ability to safely dispense specialty medications that are made to treat a very small segment of the population, which requires expert knowledge and ability. For example, the average specialty drug costs \$2,500 per prescription to treat conditions such as multiple sclerosis, rheumatoid arthritis or hemophilia. In addition to the extreme cost, these medications are often refrigerated at specific temperatures, involve careful storage, handling and delivery to patients and often have a very short shelf life. Since most of these drugs are made in limited supply, many specialty drug manufacturers will only distribute their drugs to accredited pharmacies. Of the 64,000 pharmacies in the U.S., only 378 have achieved specialty pharmacy accreditation from either URAC or the Accreditation Commission for Health Care (ACHC).<sup>2</sup> One-quarter of these pharmacy locations are accredited by both organizations.

PBMs use accreditation and credentialing to select pharmacies of good quality and standing. A pharmacy being licensed by the Board of Pharmacy simply demonstrates a basic compliance rather than overall excellence in the pharmacy services delivered. Credentialing and accrediting pharmacies, particularly compounding and specialty pharmacies, ensures the highest level of patient and consumer safety.<sup>3</sup> Allowing for additional accreditation and credentialing of pharmacies promotes best practices for evaluating and maintaining quality and safety controls within networks. Allowing health insurance carriers to enforce high standards for patients can go far in avoiding harmful outcomes to patients, such as the New England Compounding Center (NECC) disaster in 2012 that resulted in 76 people dying and more than 800 becoming ill with fungal meningitis. This type of disaster could befall LBGH’s members, their employees, and covered loved ones should this legislation become law.

PCMA, LAHP, and LBGH would have testified to these issues during the legislative process, but the language was added on final passage on the House Floor. Consequently, Requesters had no ability to bring these issues

<sup>1</sup> URAC, *Competing in the Specialty Pharmacy Market: Achieving Success in Value-Based Healthcare*, Industry Insight Report [http://info.urac.org/specialtypharmacyreport] 2017, p. 4.

<sup>2</sup> sPCMA, “The Management of Specialty Drugs”, [http://spcma.org/wp-content/uploads/2016/06/sPCMA\_The\_Management\_of\_Specialty\_Drugs.pdf], 2016.

<sup>3</sup> Health carriers or PBMs use the term “credentialing” to define their process of admitting a pharmacy into their pharmacy network through their contracted terms and conditions of participation. At the same time, an additional use of the term “credentialing” may refer to the practice of third party credentialing of compounding pharmacies and their ability to meet safety standards, among other criteria.



for consideration to the legislature. Therefore, PCMA, LAHP, and LBGH respectfully request your veto of S.B.29. This bill unnecessarily risks the safety of the sickest patients as well as forces PBMs, health insurers, and Louisiana businesses to contract with underqualified pharmacies leading to potentially dangerous outcomes to Louisiana citizens.

Sincerely,

A handwritten signature in black ink, appearing to read "Lauren Rowley".

Lauren Rowley  
Vice President, State Affairs  
PCMA

A handwritten signature in blue ink, appearing to read "Jeff Drozda".

Jeff Drozda  
CEO  
LAHP

A handwritten signature in blue ink, appearing to read "Cheryl D. Tolbert".

Cheryl D. Tolbert  
President & CEO  
LBGH

Enclosure: Enrolled SB 29

CC: Matthew Block, Executive Counsel (by hand and email)  
Nick Albares, Health Policy Director (by hand and email)