



May 15, 2019

The Honorable Sean Scanlon, Co-Chair  
The Honorable Matt Lesser, Co-Chair  
Honorable Members  
Joint Committee on Insurance and Real Estate  
Connecticut State Capitol  
300 Capitol Ave. 2800  
Hartford, CT 06106

**RE: HB 7174 (Prescription Drugs)**

Dear Chairman Scanlon, Chairman Lesser, and Honorable Members:

On behalf of the Pharmaceutical Care Management Association (PCMA), I am writing you to provide our comments regarding HB 7174 (Prescription Drugs). PCMA is the national trade association for America's Pharmacy Benefit Managers (PBMs), which administer prescription drug plans for more than 266 million Americans with health coverage through independent businesses, health insurers, labor unions, and federal and state-sponsored health programs.

PBMs' primary focus is creating solutions for payers to improve the quality of patient care while managing ever-growing costs. While it is always the drug manufacturer who decides what the price of a given drug will be, PBMs attempt to put downward pressure on cost by negotiating price concessions with manufacturers and pharmacies on behalf of plan sponsors. PBMs also lower costs by encouraging use of generics and offering specialty pharmacy services. Over a ten year period, PBMs and specialty pharmacies will save payers and patients an estimated total of \$650 billion nationally—including \$7.64 billion in Connecticut alone—when compared to expenditures with limited use of PBM tools.<sup>1</sup> PBMs also offer clinical programs to drive medication adherence and health outcomes that address the billions of dollars in annual costs associated with non-adherence, while preventing fraud, waste and abuse in prescription drug delivery.

HB 7174, as drafted, creates the ability for the state to create its own PBM, but under a different set of rules than private sector PBMs. Private sector PBMs have a variety of requirements for participation in health care programs in Connecticut, and it is unclear whether a state-run PBM would have to abide by the same laws, including those around licensure, carrying a surety bond, disclosure requirements, and regulation of plan design elements that PBMs administer, such as formulary management. Any state-run PBM should have to abide by the same requirements that private sector PBMs abide by; different rules for public-sector PBM and private sector PBMs would be inherently unfair and would skew the market, as it will favor the state entity. Favoring the state over private business would make it more difficult for the private sector to compete, pushing competitors out of the marketplace and driving up costs. At best, this policy is unnecessary, and at worst, will hurt competition in the pharmaceutical coverage marketplace.

There are also specific concerns about language in this bill that would prohibit a PBM from recouping money from a claim after it has been paid unless it is permitted under the existing

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<sup>1</sup> Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers, Visante, (February 2016), available at <https://www.pcmanet.org/pbms-generating-savings-for-plan-sponsors-and-consumers/>.



pharmacy audit law or required by applicable law. This section of the bill unfortunately takes health care a step backwards by prohibiting certain pay for performance programs between PBMs and pharmacies, even when a pharmacy has not met performance metrics it committed to meet. Similar to how performance-based incentives for hospitals and doctors were initially used in Medicare, once proven to improve patient care and quality outcomes, the private market began looking at ways to use these same tools and ultimately called for better alignment of financial incentives among plans, PBMs, and pharmacies to ensure the highest quality care. The pharmaceutical industry is just starting to offer outcomes based contracts for drugs. Given this is a new concept, HB 7174 would eliminate any opportunity to use these types of value-based arrangements at the pharmacy level. This language stifles such innovation and is a departure from the trend of payment for value.

For these reasons, PCMA must respectfully oppose this bill. We appreciate your consideration of our comments.

Sincerely,

A handwritten signature in blue ink that reads "April C. Alexander". The signature is written in a cursive, flowing style.

April C. Alexander  
Assistant Vice President, State Affairs