



March 18, 2021

The Honorable Nancy Skinner
State Capitol, Room 5094
Sacramento, CA 95814

Re: SB 524 – Health Care Coverage: Patient Steering

Dear Senator Skinner:

On behalf of the Pharmaceutical Care Management Association (PCMA), we wish to share our concerns about SB 524 and the negative impact we believe it would have on health plans and, more importantly, patients in California. Quite simply, SB 524 would impede patient access to lower cost medicines and present significant patient safety concerns.

As you may know, 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 employers, health insurance plans, labor unions and Medicare Part D. Clients, including health insurers, government agencies, unions, school districts, and large and small employers, contract with PBMs to manage their pharmacy benefits. PBMs will save payers more than \$30 billion through the next decade thanks to tools such as negotiating price discounts with drug manufacturers, establishing pharmacy networks, and disease management and adherence programs. PBMs help consumers obtain lower prices for prescription drugs through the use of network pharmacies, as well as mail order pharmacies. PBM network pharmacies compete on service, convenience and quality to attract consumers within a particular health plan. This competition helps keep the rising costs of prescription drugs down, while also prioritizing patient's health and wellbeing. By building networks of pharmacies, patients have convenient access to prescriptions at discounted rates

SB 524 eliminates the ability of health service plans and insurers to develop plan designs that lower costs for their members. Further, it would restrict communications to members informing them about access to lower cost medicines. Health service plans and insurers design networks of independent, chain and mail-order pharmacies to provide patients with access to a range of high-quality pharmacies, while balancing savings for patients and payers. To achieve this goal, PBMs require pharmacies to compete on service, price, convenience, and quality to be included in certain preferred networks. Pharmacies that agree to participate in such arrangements are designated "preferred" and become members of that network.

Today, nearly half of all employer sponsored plans use preferred networks and this bill would essentially strip away the ability of payers to exercise these cost control measures. Proponents of the bill will claim that these types of arrangements hurt pharmacy access. On the contrary, patients have access to more pharmacies than ever before.

Restricting lower cost pharmacy network designs, as well as restricting the use of lower cost mail-order pharmacies will raise costs and lower quality for both patients and payers. In addition to saving patients money, PBMs also monitor prescription drug safety across all of the network



pharmacies, alerting pharmacists to potential drug interactions, even if a patient uses multiple pharmacies. Mail order pharmacies have specialized clinical programs staffed pharmacists trained in disease management and adherence programs that are designed to increase and improve the overall health status of patients.

In fact, the U.S. Department of Justice's Antitrust Division has stated that vertically integrated PBMs are "unlikely to result in harm to competition or consumers" and "allow for the creation of an integrated pharmacy and health benefits company that has the potential to generate benefits by improving the quality and lowering the costs of the healthcare services that American consumers can obtain."^[1] The ability for PBMs to develop pharmacy networks is critical to maintaining safety and offering the lowest costs for prescription drugs. As currently written, SB 524 would undermine this ability, at a cost to California's patients.

It appears that the purpose of this bill may stem from erroneous information generated by pharmacists or their representative organizations. We seriously question the validity of any data supporting a policy that would discourage access to lower cost medicines. We would welcome the opportunity to refute or explain the benefits PBMs offer through networks and mail-order pharmacies. We believe anecdotal stories of patient access to medicines or "push polls" do not constitute the kind of meaningful data on which public policy should be based.

SB 524 will increase cost for Californians and ultimately harm consumers. The lost savings for consumers at the pharmacy counter is significant. We urge you to consider the impact on patients ahead of the profits of pharmacies.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Head", written over a horizontal line.

Bill Head
Assistant Vice President
State Affairs

^[1] U.S. Department of Justice. "Justice Department Requires CVS and Aetna to Divest Aetna's Medicare Individual Part D Prescription Drug Plan Business to Proceed with Merger." October 10, 2018. Retrieved from <https://www.justice.gov/opa/pr/justice-department-requires-cvs-and-aetna-divest-aetna-s-medicare-individual-part-d>.