Testimony offered on behalf of:

EPIC PHARMACIES, INC.

IN SUPPORT OF:
HB 382 –Pharmacy Benefits Managers – Medical Assistance Program and Pharmacy Benefit Managers
House Health and Government Operations Committee
Hearing 3/2 at 1:00 PM

EPIC Pharmacies, Inc. **SUPPORTS HB 382** – Pharmacy Benefits Managers – Medical Assistance Program and Pharmacy Benefits Managers.

The prescription pricing system in this country is sick and broken! Over 90% of dispensed prescriptions are adjudicated by a Pharmacy Benefit Manager (PBM) that administers the drug benefit for an insurer or payer. This middleman does not research or develop the drug, they do not ship the drug from the manufacturer to the pharmacy, they do not stock the drug on their shelves, nor dispense the drug to patients. PBM's are the only consistently profitable industry in today's healthcare system. For 2023, on **Fortune's list of top 100 companies, CVS Health was #4, UnitedHealth Group was #5, Cigna-ExpressScripst #12**. CVS & United beat out Berkshire Hathaway and Exxon, and they are middlemen with no product and very shady and poor service in my opinion.

What is the purpose of these PBM middlemen? Quite simply they are supposed to save the healthcare system money on prescription expenses, and I suppose that is why MACO ignorantly and blindly supports them. How is that working out for everyone? Has anyone on this room ever seen their prescription expense drop from year to year? With the ever-increasing amounts of very effective generic medications coming off patent each year you should be seeing a decrease. PBM's often make Brand Name medications preferred when there is a less expensive generic alternative because Brand Name drug manufacturers are extorted to pay gatekeeper fees to remain primary on PBM formularies.

PBMs use different contract terms for their retail pharmacy network and their payer contracts to perpetuate a falsehood of tremendous prescription savings for payers. PBMs barely pay pharmacies above their acquisition cost of procuring medications by basing payments on MAC lists where the PBM individually and arbitrarily lowballs the amount that they reimburse for generics. PBM's base their payer contracts off a highly inflated Average Wholesale Price (AWP) metric. So, the "cost" quoted the payer is highly inflated and the "cost" paid to the pharmacy barely covers the pharmacies acquisition cost.

The multiple formulas that the PBM uses to determine "cost" make any fiscal note speculative at best because the fiscal note writer is not privy to the multitude of cost formulas used by the PBMs for different stakeholders.

Generic Bactrim Example at Mt. Vernon Pharmacy over last 6 month:
***Average amount paid to pharmacy per Rx: $1.75
Actual Pharmacy Acquisition Cost: $0.52
AWP (the metric PBMs used to bill payers for the claim): $28.69
NADAC: $1.76
It costs the pharmacy about $10.67 in fixed costs to dispense a prescription.

Do your constituents think PBMs are doing a good job of saving them money on their medications? A resounding NO! If PBMs are doing right by the patient, why are insured patients increasingly turning to services like GoodRx or Mark Cuban's, CostPlus Pharmacy for their generic needs? Answer: With all the buying power of big employers, PBM's are fleecing the average patient with inflated generic pricing. In what other industry can a single person get better pricing than with the buying power of tens of thousands?

The National Average Drug Acquisition Cost (NADAC) was developed by CMS and the pricing figures are transparent and nationally published, making smoke and mirror PBM pricing models more challenging for them. Because the calculation is made by surveying invoice prices from retail pharmacies nationally; chain pharmacies like CVS and Walgreens have outsized input on the NADAC average and actually drive this metric below costs that independent pharmacies can get because of the chain pharmacy's massive buying power. The notion that independent pharmacies can game this system is a falsehood and is antithetical to the mathematical laws of averages.

Mandating the same formula used in Medicaid Fee for Service of NADAC + $10.67 will pay a reasonable fee to pharmacies for dispensing prescriptions, bring transparency to the prescription pricing system, and lower cost for payers because they will be paying for claims based on a transparent and verifiable metric as opposed to highly inflated AWP metrics that have no basis in pricing reality.

As an aside, Mark Cuban's CostPlus pharmacy charges the "Actual Cost of the Medication" + 15% + $8.00. This rate will in most cases exceed our proposal of NADAC + $10.67 rate.
https://accessiblemeds.org/sites/default/files/2023-02/AAM-Mark-Cuban-Access-02-14-23.pdf

I respectfully ask your favorable support for HB 382.

Sincerely,

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