

February 10, 2021

The Honorable Andy Zay
Chair, Senate Insurance and Financial Institutions Committee
200 West Washington Street
Indianapolis, IN 46204

RE: NATIONAL COMMUNITY PHARMACISTS ASSOCIATION SUPPORT OF SB 143

Dear Chair Zay and members Insurance and Financial Institutions Committee:

I am writing on behalf of the National Community Pharmacists Association in support of SB 143, which will bring transparency to Indiana's Medicaid drug benefit program and protect patient access to community pharmacy services.

NCPA represents the interest of America's community pharmacists, including the owners of more than 21,000 independent community pharmacies across the United States and 201 independent community pharmacies in Indiana. These Indiana pharmacies filled over 11.5 million prescriptions last year, impacting the lives of thousands of patients in your state.

Audit of the Medicaid prescription drug benefit program

In Medicaid programs across the nation, PBMs have engaged in opaque, anticompetitive practices that benefit themselves while limiting patient choice and increasing costs for taxpayers. Ohio found that the PBMs administering the Medicaid managed care prescription drug benefit were pocketing more than \$224 million by using the opaque "spread pricing" reimbursement method.¹ Kentucky similarly found that PBMs kept \$123.5 million in spread pricing annually through the Medicaid program.² In Florida, not only did PBMs keep \$90 million in spread, but the state found that PBMs reimbursed PBM/MCO-owned pharmacies at higher rates than non-affiliated pharmacies for dispensing the same specialty drugs.³ New York found it paid its PBMs \$605 million in unnecessary costs over four years, because the PBMs created drug formularies that resulted in higher rebates for the PBM, not the state.⁴

Indiana taxpayers have a right to know whether similar practices are costing them millions of dollars. SB 143 would authorize the Auditor of State to audit the Medicaid program's prescription

¹ Auditor of State of Ohio, *Auditor's Report: Pharmacy Benefit Managers Take Fees of 31% on Generic Drugs Worth \$208M in One-Year Period*, (Aug. 16, 2018) <https://ohioauditor.gov/news/pressreleases/Details/5042>.

² Kentucky Department for Medicaid Services, *Medicaid Pharmacy Pricing: Opening the Black Box* 5, 8 (Feb. 19, 2019), https://chfs.ky.gov/agencies/ohda/Documents1/CHFS_Medicaid_Pharmacy_Pricing.pdf. Kentucky Attorney General, *Beshear Launches Investigation into Inflated Prescription Drug Prices*, (Mar. 21, 2019), <https://kentucky.gov/Pages/Activity-stream.aspx?n=AttorneyGeneral&prId=739>.

³ Milliman, *Florida Agency for Health Care Administration: Pharmacy Benefit Manager Pricing Practices in Statewide Medicaid Managed Care Program* (Dec. 2020).

⁴ Office of the New York State Comptroller, *Medicaid Program: Cost of Pharmacy Services Under Managed Care*, (Sept. 2020), <https://www.osc.state.ny.us/files/state-agencies/audits/pdf/sga-2020-19s11.pdf>.

drug benefit. This is a vital step to identifying PBM practices that could potentially be costing Indiana taxpayers millions of dollars every year.

Pharmacy reimbursement transparency

SB 143 would also address a lack of transparency in pharmacy reimbursement methods, the impact of which has been severe. A study by the Rural Policy Research Institute found that under-reimbursements led to the closure of 1,231 independent pharmacies in rural areas between 2003 and 2018. As a result, 630 rural communities nationwide that had at least one retail pharmacy in 2003 had **zero** retail pharmacies in 2018.⁵ The situation is no better in urban areas; between 2009 and 2015, 1 in 8 pharmacies closed as a result of under reimbursements, disproportionately affecting independent pharmacies and low-income neighborhoods. Indiana has lost more than 15% of its independent pharmacies since 2010. These pharmacy closures “are associated with nonadherence to prescription medications, and declines in adherence are worse in patients using independent pharmacies that subsequently closed.”⁶

SB 143 would bring some transparency to PBM reimbursement practices, thereby protecting patient access to community pharmacy services. The bill would ensure that PBM-determined reimbursement amounts accurately reflect the true market costs for Indiana pharmacies, and it would protect pharmacies from being forced to accept under-reimbursements that have led to so many pharmacy closures in Indiana and across the nation.

For these reasons, NCPA respectfully requests your support of SB 143. If you have any questions about the information contained in this letter or wish to discuss the issue in greater detail, please do not hesitate to contact me at matthew.magner@ncpa.org or (703) 600-1186.

Sincerely,



Matthew Magner
Director, State Government Affairs

⁵ Abiodun Salako, Fred Ullrich & Keith Mueller, *Update: Independently Owned Pharmacy Closures in Rural America, 2003-2018*, RUPRI Center for Rural Health Policy Analysis, July 2018, Rural Policy Brief No. 2018-2, available at <https://rupri.public-health.uiowa.edu/publications/policybriefs/2018/2018%20Pharmacy%20Closures.pdf>.

⁶ Jenny S. Guadamuz, G. Caleb Alexander, Shannon N. Zenk & Dima M. Qato, *Assessment of Pharmacy Closures in the United States From 2009 Through 2015*, JAMA Internal Medicine, Oct. 21, 2019, www.jamainternalmedicine.com.