

February 28, 2024

The Honorable Jesse Bjorkman
Chair, Senate Labor and Commerce Committee
State Capitol Room 9
Juneau, AK 99801

Dear Chair Bjorkman and Members of the Committee:

I am writing on behalf of the National Community Pharmacists Association (NCPA) in support of SB 121, which would help control drug costs in Alaska, provide transparency for patients and employers regarding their prescription drug benefits programs, and establish greater oversight of the pharmacy benefit managers (PBMs) that administer those benefits.

NCPA represents the interest of America's community pharmacists, including the owners of more than 19,400 independent community pharmacies across the United States and approximately 19 independent community pharmacies in Alaska. These pharmacies employed more than 230 residents and they filled over 1.2 million prescriptions in 2021.

Community pharmacists have long known that opaque PBM practices not only hamper patients' ability to obtain pharmacy services from their trusted community pharmacists, but those practices can also lead to higher drug costs for both patients and plan sponsors. Due to the massive consolidation and vertical integration in the health insurance market¹, the three largest PBM's control 80% of the prescription drug market² giving them the power to engage in abusive practices which limit patient access, increase drug costs and threaten the viability of small business pharmacies.

We strongly support SB 121's prohibition of spread pricing because it will improve transparency. Spread pricing can end up costing plan sponsors millions of dollars in overcharges, as officials in Ohio, Kentucky, and other states have found after investigating the PBMs serving state-funded benefit plans.³ This critical transparency provision will ensure payers' and patients' health care dollars are actually going towards their care, instead of into PBMs' pockets. If such transparent reimbursement methodologies were adopted nationwide, federal Medicaid spending would drop by almost \$1 billion over 10 years.⁴

¹ <https://ncpa.org/sites/default/files/2023-01/verical-bus-chart.jpg>

² [Drug Channels: The Top Pharmacy Benefit Managers of 2021: The Big Get Even Bigger](#)

³ 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>. 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.

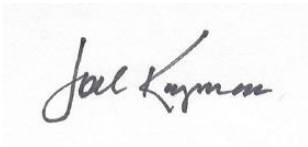
⁴ <https://www.finance.senate.gov/imo/media/doc/2020-03-13%20PDPRA-SFC%20CBO%20Table.pdf>

Similarly, NCPA strongly supports the bill's use of a transparent, cost-based reimbursement floor. We support SB 121's proposal to use the National Drug Average Acquisition Cost benchmark (NADAC), an objective, evidence-based drug pricing benchmark updated on a monthly basis. By tying the drug ingredient costs to NADAC, the bill would ensure that plan sponsors and payers have more information about how their money is being used by their PBMs, avoiding spread pricing. NCPA also supports the use of a professional dispensing fee from a recent cost of dispensing survey. We appreciate the provision requiring a cost of dispensing survey at least once every five years. In conjunction, these provisions will go a long way towards ensuring that pharmacy reimbursement is reflective of a pharmacy's cost to dispense.

SB 121 also contains important provisions that protect patient choice, empowering patients to make their own healthcare decisions free from a PBM's conflict of interest. It is not uncommon for a PBM to require patients to utilize a PBM-owned or affiliated pharmacy, often a mail-order pharmacy. The PBM is then free to reimburse its pharmacy at higher rates, thereby forcing patients and plan sponsors to pay higher costs to the PBM. SB 121 prohibits PBMs from steering a patient to a PBM-owned or affiliated pharmacy and prohibits the PBM from charging artificially higher rates. These commendable provisions ensure a patient can choose a pharmacy that is in the patient's best interest, not just what's in the PBM's best interest.

We urge you to advance this critical legislation. We wish to thank the bill sponsors, including Majority Leader Giessel, for their leadership on the bill. If you have any questions, please do not hesitate to contact me at (703) 600-1186 or joel.kurzman@ncpa.org.

Sincerely,

A handwritten signature in black ink that reads "Joel Kurzman". The signature is written in a cursive, flowing style.

Joel Kurzman
Director, State Government Affairs