

## HOUSE OF REPRESENTATIVES

### REQUEST FOR INTERIM STUDY PROPOSAL

DATE: May 24, 2007

BY REPRESENTATIVE(S): Wes Hilliard  
Doug Cox

TOPIC OF THE PROPOSAL:

Pharmacy Benefits Manager (PBM) Transparency

EXPLANATORY COMMENTS ON THE SCOPE OF THE STUDY PROPOSAL:

Pharmacy Benefit Managers (PBMs) are the largely unregulated drug middlemen that administer the prescription drug benefit portion of health insurance plans for private companies, unions, and governments. Each of the giant PBMs owns a mail order drug company and attempts to drive its customers away from community pharmacies and into the mail order firm it owns. PBMs argue that this saves consumers and plan sponsors money when, in fact, their motivation is higher profits. The Oklahoma Pharmacists Association believes patients overwhelmingly prefer filling their prescriptions at a local pharmacy and it is community pharmacies, not mail order, which save patients and payers money.

The Oklahoma Pharmacists Association strongly opposes efforts by the PBMs to commoditize the prescription benefit and eliminate the important face-to-face relationship between patients and their local community pharmacist by coercing patients into mail order delivery of their prescription medications.

In response to the events described above, there have been demands for transparency in the PBM industry by sponsors and legislators. There is a wide variation in the definition of 'transparency'; plan sponsors believe transparency is a good thing but are not quite sure what transparency is, or how to best achieve it. We have included some common transparency issues that need to be addressed in an interim study forum.

\* Plan sponsors and patients may not be receiving all rebates due them from a PBM. Plan sponsor should demand very precise definitions of rebates.

\* Spread pricing: the PBM makes two sets of contracts. One contract is with sponsors, the second contract is with the pharmacies.

\* Another potential conflict of interest is the PBM-owned mail order pharmacy. The PBM may be forced to choose between maximizing profits or maximizing value for the plan sponsors.

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\* The calculation of average wholesale price to clients and actual payments to pharmacies may be different.

\* PBM drug formularies may be too restrictive for patients.

IF PRIVATE CITIZENS OR ORGANIZATIONS ARE TO BE NOTIFIED OF MEETING,  
LIST NAMES AND ADDRESSES:

Regina Grayson Benjamin, Esq.  
Director, Government Affairs  
National Community Pharmacists  
Association  
100 Dangerfield Road  
Alexandria, VA 22314  
703-683-8200  
703-683-6375 (fax)  
[www.ncpanet.org](http://www.ncpanet.org)

Mary Staples  
National Association of Chain Drug  
Stores  
1560 East Southlake Blvd., Suite 230  
Southlake, TX 76092  
[mstaples@nacds.org](mailto:mstaples@nacds.org)  
817-442-7755  
817-442-1140 (fax)  
817-308-2103 (cell)

Lonny Wilson, DPh  
Executive Director  
Pharmacy Providers of Oklahoma  
PO Box 18204  
Oklahoma City, OK 73154  
405-557-5711, ext. 5711  
405-557-5735 (fax)  
[lwilson@ppok.com](mailto:lwilson@ppok.com)

Phil Woodward, DPh PharmD  
Executive Director  
Oklahoma Pharmacists Association  
PO Box 18731  
Oklahoma City, OK 73154  
405-557-5772  
405-528-3338 (fax)\  
[pwoodward@opha.com](mailto:pwoodward@opha.com)  
[www.opha.com](http://www.opha.com)

Clayton Taylor  
The Taylor Group  
PO Box 18277  
Oklahoma City, OK 73154  
405-526-6226  
405-525-6339 (fax)  
[Claytontaylor@cox.net](mailto:Claytontaylor@cox.net)

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