

Insurance Federation of Pennsylvania

www.ifpenn.org

215-665-0500

October 16, 2018

To: The Honorable Members of the Senate Health and Human Services
Committee and the Senate Majority Policy Committee

From: Samuel R. Marshall

Re: The role and impact of PBMs in Pennsylvania

Maybe the best place to start is not so much with what we see the role and impact of PBMs to be, but with what we see as the role and impact of health insurers in Pennsylvania:

- Briefly, our role is to provide accessible, affordable and high quality health insurance to the people of Pennsylvania, and to do so within the parameters set not just by government, but by the demands and needs of our customers.

Our impact – how well we are fulfilling that role – gets evaluated each day and with each claim, and it is constantly evolving. It is an enormous challenge, and there is much improvement to be made.

One general observation, and it holds true with prescription drugs as it does across the health care spectrum: To better fulfill this role, we need to work better with those providing the health care we cover, and with a focus on the needs of consumers, not on perpetuating whatever business models or revenue streams each of us may have. This has been a challenging session in that regard. We hope that changes next year.

We see the role of PBMs as helping us to fulfill that role – and by “us”, we mean not just insurers, but self-insured employers and government programs. We see PBMs as partners in enabling us to provide better and more affordable prescription coverage to our policyholders. That doesn’t mean just lower costs – it means better quality, and we think we and PBMs have done much on both fronts.

For us, PBMs provide an essential service: They help, through a variety of ways, in our effort to better manage the prescription drug benefits we offer. You've heard those tools discussed today, and they are well-documented in studies:

- PBMs have helped us get rebates from drug companies and discounts from pharmacies;
- they've helped us promote and encourage generics and affordable brands of drugs;
- they've helped us promote more efficient and affordable distribution channels for drugs, as with mail-order pharmacies and specialty pharmacies for high-end drugs;
- they've helped us with more efficient claims processing and payment;
- and they've helped us improve the quality of our prescription coverage, with enhanced efforts on reducing waste and improving patient adherence to drug use. We also are working with them on the emerging objective of value-based purchasing and payments, where there are incentives and penalties based on the patient's outcome under certain medications.

Those efforts – by PBMs and by we as the insurers who use them – haven't always been well-received, at least by those whose businesses get challenged or changed by PBMs.

- Drug companies (notably absent from this hearing, but not from this issue) have been critical of PBMs, saying they really don't produce savings or at least don't pass those savings on to insurers and insureds. That seems more a deflection from scrutiny over drug company pricing and marketing than an evidence-based allegation. If PBMs weren't saving money – for us and for our policyholders - and weren't improving prescription coverage, we wouldn't be partnering with them.
- Pharmacies have also been critical, and that's more troubling. Yes, PBMs are disruptive – they have to be if we are to have quality prescription coverage that is affordable. And that means pharmacies are going to have to adjust, just as insurers have, just as drug companies should, and just as PBMs themselves do. Pharmacies provide a valuable service, but that doesn't exempt them from the need to adjust and be held accountable, any more than the rest of us are.

We can talk about reforming PBMs – setting parameters to make sure they are improving prescription management and coverage, not just profiting off it, and to ensure their efforts serve consumers first and foremost. Measures like Senator Ward’s and Rep. Ward’s gag clause prohibition are good examples, and we look forward to seeing the results of the Auditor General’s hearings and audits.

But as you consider further regulation of PBMs, be wary of measures that will perpetuate outdated practices or limit the ability to wrangle savings out of drug companies. That’s the type of “disruption” you should be encouraging, not restricting, if we are going to meet the challenge of making sure prescription coverage is both high-quality and affordable.

Again, our goal is to provide better prescription coverage to our policyholders – and by “better”, we mean more accessible, better quality and more affordable coverage. We realize we have to be accountable in how we do that, and that includes government oversight and parameters.

As you develop that oversight and those parameters, we hope you take a comprehensive approach. This is a complicated puzzle, and each piece needs to be scrutinized and addressed in conjunction with the other pieces. That means extending oversight and parameters to those making and distributing prescription drugs, not just those of us covering and managing those prescriptions – whether insurers or PBMs.

Thank you for the opportunity to be here today. We welcome the opportunity, responsibility and challenge of working with you and all parties to make sure prescription drugs and prescription drug coverage meet the needs of all Pennsylvanians.