

January 19, 2017

The Honorable Susan Collins
Chairman
Special Committee on Aging
U.S. Senate
Washington, D.C. 20510

The Honorable Robert Casey
Ranking Member
Special Committee on Aging
U.S. Senate
Washington, D.C. 20510

Dear Chairman Collins and Ranking Member Casey:

We read with interest the Senate Aging Committee's December 2016 report titled "**Sudden Price Spikes in Off-Patent Prescription Drugs: *The Monopoly Business Model that Harms Patients, Taxpayers, and the U.S. Health Care System.***" Particularly noteworthy was the following passage from page 125 of the report, "another area worthy of further study is the role of PBMs. While some experts claim that PBMs function to keep down the price of drugs, other have suggested that PBMs may be contributing to part of the drug pricing problem. The Committee does not have visibility into this area from its investigation due to the fact that PBMs played a limited role in the drugs investigated by the Committee." Our organization, the National Community Pharmacists Association (NCPA) encourages the Aging Committee to investigate this area to determine the role that Pharmacy Benefit Managers (PBMs) may be playing in increasing prescription drug prices.

The National Community Pharmacists Association (NCPA) represents America's community pharmacists, including the owners of more than 22,000 independent community pharmacies. As retail pharmacy owners, our members have a unique perspective on PBMs, and we stand willing to assist the committee in any way that we can.

Three large PBMs control roughly 78% of the market and manage pharmacy benefits for more than 180 million Americans, including millions of seniors who participate in Medicare Part D or have employer sponsored retirement benefits. The PBMs decide what medications are covered by the plan (the formulary), what pharmacies are in the network, what the consumer will pay, what the plan sponsor will be charged, and what the pharmacy will be paid. They also negotiate rebate arrangements with drug manufacturers in exchange for including medications on the formulary. As such, PBMs play a large role in determining the costs of prescription drugs for both plan sponsors and beneficiaries, however several private plan sponsors raised concerns in 2014 testimony before the Department of Labor ERISA Advisory Council that the lack of PBM transparency makes it difficult to determine whether PBMs are providing appropriate value¹. Additionally, in 2009, OPM Inspector General Patrick McFarland highlighted the need for greater PBM oversight as it pertains to federal employee

¹ National Community Pharmacists Association, "Federal Advisory Council Votes Unanimously for More PBM Transparency with ERISA Health Plans," Nov. 5, 2014. <http://www.ncpanet.org/newsroom/news-releases/news-releases---2014/2014/11/05/federal-advisory-council-votes-unanimously-for-more-pbm-transparency-with-erisa-health-plans>

health benefit plans in testimony before the House Oversight and Government Reform Committee stating “there’s a good chance we’re not getting a good deal because of the lack of transparency.”²

We believe it’s crucial for the Aging Committee to investigate PBM practices and how they may be contributing to rising drug costs. Such an investigation is necessary in providing committee members and Congress as a whole with a comprehensive view of the causes of higher drug prices and to develop policies that properly address them.

We greatly appreciate your consideration of our recommendation to investigate the role PBMs play in increasing drug prices, and we look forward to working with the committee on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Douglas Hoey". The signature is fluid and cursive, with the first name "B." and last name "Hoey" clearly distinguishable.

B. Douglas Hoey, RPh, MBA

CEO, National Community Pharmacists Association

CC: Senator Claire McCaskill

² Alex M. Parker, “Lawmaker pledges more oversight of FEHBP drug costs,” Government Executive, June 25, 2009, <http://www.govexec.com/pay-benefits/2009/06/lawmaker-pledges-more-oversight-of-fehbp-drug-costs/29436/>