

March 2, 2017

The Honorable Orrin Hatch
219 Dirksen SOB
Washington, D.C. 20515

The Honorable Ron Wyden
219 Dirksen SOB
Washington, D.C. 20515

Dear Chairman Hatch and Ranking Member Wyden:

I write to request your committees to schedule legislative hearings on S. 413, Improving Transparency and Accuracy in Medicare Part D Spending Act. This bill would prohibit pharmacy benefit managers (PBMs)/health plans from retroactively reducing reimbursement from pharmacies that have submitted clean claims. It was introduced by Senators Shelley Moore Capito (R-WV) and Jon Tester (D-MT) last month with six original cosponsors.

Our association represents the more than 22,000 independent pharmacies across the country and they deserve to know that they will be reimbursed at their agreed upon contractual rate when dispensing drugs to Part D beneficiaries. The inability of small business community pharmacy owners to plan in advance for these retroactive direct and indirect remuneration (DIR) fees is truly threatening their ability to operate. We believe the fact that large PBMs can arbitrarily reduce reimbursement for prescriptions dispensed after the point of sale highlights the opaqueness that exists within the pharmaceutical drug supply chain and speaks to the need for further Congressional scrutiny.

These DIR fees push patients into the donut hole faster than they would otherwise, a fact that CMS has stated. CMS has also stated these fees are increasing costs to the government, especially in the catastrophic phase of the Part D program. Virtually all catastrophic costs in Part D are borne by the government, and they have increased dramatically in recent years - from \$10 billion in 2010 to \$33 billion in 2015 - fueled by pharmacy DIR fees.

Three large PBMs control roughly 78% of the market and manage pharmacy benefits for more than 180 million Americans. PBMs not only manage benefits for insurance companies and employers, they also own their own pharmacies whether that is mail order, specialty or retail. These PBMs have an extremely robust business relationship with the federal government in Part D, FEHB and DOD TRICARE so it certainly seems possible that the federal government could be paying more for prescription drugs than it should be.

Again, I respectfully request that your committees schedule legislative hearings on this bipartisan bill. I think the need for more sunlight in a very long and complex drug supply chain is something all Members of Congress should support. Thank you for your attention to this request and I very much appreciate your consideration.

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, R.Ph., M.B.A
Chief Executive Officer

CC: Members of the Finance Committee