

## Generic Drug Pricing Transparency in Federal Health Programs

*MAC legislation would protect taxpayer funds, help independent community pharmacies*

### Background

Generic prescription drugs account for over 80 percent of medications dispensed by community pharmacies, yet there is no transparency into how they are priced in federal health programs by middlemen called pharmacy benefit managers. Through hidden **maximum allowable cost lists**, PBMs can overcharge federal health programs while paying much lower reimbursement rates to independent community pharmacies.<sup>1</sup> In order to care for patients, independent community pharmacies must accept take-it-or-leave-it contracts, which let PBMs dictate MAC reimbursement rates that are at times below-cost or fail to keep up with inflation.<sup>2</sup>

### Solution: Increase transparency and oversight of MAC pricing in federal health programs by PBMs.

*The Prescription Drug Price Transparency Act* (H.R. 1316) introduced by Reps. Doug Collins (R-Ga.) and Dave Loebsack (D-Iowa) seeks to bring clarity to generic drug payments in Medicare Part D, TRICARE, and the Federal Employee Health Benefits Program. Congress should enact H.R. 1316 to:

- **Ensure effective oversight of taxpayer dollars in federal health programs.** Would enhance program integrity and establish MAC as a drug pricing standard.
- **Encourage utilization of cost-saving generic drugs whenever appropriate.** Would support fair reimbursement and incentivize community pharmacists to actively promote generic drugs to cut costs. Pharmacists' generic recommendations are accepted 95 percent of the time by physicians.<sup>3</sup>
- **Support access to independent community pharmacies.** Would give community pharmacies insight into the basis for MAC reimbursement rates, certainty that they are updated to reflect real-world prices (at least every seven days), and an effective appeals process to contest below-cost payments.
- **Protect patient choice of pharmacy.** Would prohibit PBM corporations from requiring patients use the mail order and specialty pharmacies they own, which creates a conflict of interest, or exploiting private patient data for those purposes.

**H.R. 1316 WILL NOT increase federal costs.** The legislation simply allows for greater transparency into PBM generic drug pricing benchmarks and predictability for community pharmacies. It does not establish reimbursement rates and leaves that authority to health plan sponsors or their designees, such as PBMs.

**Bipartisan precedent in state laws across the country.** H.R. 1316 is comparable to similar legislation overwhelmingly enacted in 35 states.

<sup>1</sup> "Painful prescription", 2013, <http://katherineeban.com/2013/10/23/painful-prescription-fortune-com/>.

<sup>2</sup> "Pharmacist Survey Raises Concerns for Patient Access to Generic Drugs," 2015, <http://www.ncpanet.org/newsroom/details/2015/04/07/pharmacist-survey-raises-concerns-for-patient-access-to-generic-drugs>.

<sup>3</sup> 2016 NCPA Digest, sponsored by Cardinal Health, <http://www.ncpanet.org/newsroom/details/2016/10/18/independent-community-pharmacies-vital-to-patient-medication-access-ncpa-digest-finds>.