

The Honorable Melissa Wiklund, Chair, Health and Human Services Committee
Minnesota Senate Health and Human Services Committee Members
Minnesota Senate
Room 1100 Minnesota Senate Bldg.
St. Paul, MN 55155

RE: SF1876 Pharmacy Benefit Managers and Health Carriers Required to Include Lower-Cost Drugs in Their Formularies- Oppose

Dear Chair Wiklund and Members of the Health and Human Services Committee:

Thank you for the opportunity to comment on SF1876. I represent Prime Therapeutics (Prime), a pharmacy benefit manager (PBM). Ensuring access to affordable prescription drugs for Minnesota is our top priority, and for this reason, Prime opposes SF1876.

Prime helps people get the medicine they need to feel better and live well by managing pharmacy benefits for health plans, employers, and government programs including Medicare and Medicaid. Our company manages pharmacy claims for more than 30 million people nationally and offers clinical services for people with complex medical conditions. Our business model relies on transparency and advocating for simpler, lowest-net-cost pricing for drugs. Importantly, Prime is focused on purpose beyond profits. We are not publicly traded or owned by a private equity firm.

The Value of PBMs

PBMs specialize in the management of prescription drug benefits and are uniquely positioned to apply downward pressure on the rising costs of prescription drugs. Health insurers, employers and government entities often choose to use a PBM to leverage the company's industry expertise. It is important to note that plan sponsors are not required to use a PBM to manage their drug benefits but 74% choose to¹ because PBMs drive down drug costs, saving payers and patients an average of \$1,040 per person per year,² and providing \$145 billion in overall value to the healthcare system.³

PBMs do Four Main Things:

- ✓ Administer insurance claims
- ✓ Negotiate savings for prescription drugs
- ✓ Negotiate savings with pharmacies
- ✓ Provide tools and programs to support employers, patients, and clinicians

¹ United States Government Accountability Office. (2019). Medicare Part D: Use of Pharmacy Benefit Managers and Efforts to Manage Drug Expenditures and Utilization (Report No. GAO-19-498). <https://www.gao.gov/products/gao-19-498>

² Visante. 2023. <https://www.pcmanet.org/wp-content/uploads/2023/01/The-Return-on-Investment-ROI-on-PBM-Services-January-2023.pdf>

³ National Bureau of Economic Research. 2022. <https://www.nber.org/papers/w30231/>

Health plan sponsors make active choices about how they design their drug benefits and participant cost sharing. Differing populations and resources require flexibility in plan design and payment options to meet each sponsor's unique needs. To meet these needs, PBMs help plan sponsors navigate their coverage options to identify and select a plan that best serves the needs of their plan participants. Independent Pharmacy and Therapeutics (P&T) committees, made up of clinical experts, review and evaluate clinical evidence to help with formulary recommendations. PBMs share the recommendations of the P&T committee with plan sponsors and then work together to evaluate whether modifications or addons, which can alter or enhance the plan offerings, are appropriate.

Lowering the Cost of Prescription Drugs

Drug Manufacturers Set Drug List Prices

Drug companies blame PBMs, employers, unions, and government programs for their high prices, but the fact is that they keep 67% of all prescription drug spending, while PBMs retain less than 5% of prescription drug spend.⁴ For every \$1 spent on PBM services, PBMs reduce costs by \$10.⁵ PBMs save payers and patients 40-50% on their annual prescription drug and related medical costs compared to what they would have spent without PBMs.⁶

Rebate Negotiation & Formulary Management

PBMs put downward pressure on the cost of drugs by negotiating with manufacturers of brand name drugs for rebates and pharmacies for discounts. These rebates and discounts are passed back to health plans at a rate of 90-95%, helping to fund the cost of health insurance.⁷ PBMs administer over 3.6 billion scripts annually.⁸ Without the negotiated savings, patients and payers would pay much more for prescription drugs.

Network Management

A key part of addressing the rising costs of prescription drugs is pharmacy network management. Payers often establish preferred pharmacy networks, which include pharmacies that best compete on service, price, convenience, and quality. Preferred pharmacy networks are networks of pharmacies where plans and enrollees pay a lower amount for a drug than at a pharmacy in the standard network. Pharmacies choose to participate in these networks because it generates a higher volume of business. The cost savings from this network type are so significant that drug costs could rise by \$175 million if the volume of services at preferred pharmacies decreased by as little as 2.5%.⁹

Generic Drug Adoption Rates are High – Restricting Formulary Management Will Increase Costs

Today, about 90%¹⁰ of all prescription drugs dispensed are generic drugs and the savings generated by this high adoption rate are clear, according to the IMS Health Institute, generic drugs saved the U.S. healthcare system nearly \$2.2 trillion from 2009 to 2019¹¹. This shows that the efforts made to increase utilization of generic drugs have worked.

⁴ Nancy L. Yu, Preston Atteberry, Peter B. Bach. "Spending On Prescription Drugs In The US: Where Does All The Money Go?" Health Affairs, July 31, 2018

⁵ Visante. The Return on Investment (ROI) on PBM Services. (February 2020).

⁶ Ibid.

⁷ Sweeney, Evan. (2018, August 10th). CVS, Express Scripts provide a rare moment of transparency on rebate profits. Fierce Healthcare. <https://www.fiercehealthcare.com/payer/cvs-caremark-express-scripts-pbm-pass-through-cigna-merger>

⁸ KFF. 2019. <https://www.kff.org/health-costs/state-indicator/total-retail-rx-drugs/?currentTimeframe=0&sortModel=%7B%22collId%22:%22Location%22,%22sort%22:%22asc%22%7D>

⁹ The Moran Company. (2018). Economic Impact of CMS' Proposed Any Willing Pharmacy Policy. <https://www.pcmanet.org/wp-content/uploads/2018/03/Any-Willing-Pharmacy.pdf>

¹⁰ Association for Accessible Medicines. (2022). The U.S. Generic & Biosimilar Medicines Savings Report. <https://accessiblemeds.org/wp-content/uploads/2024/11/AAM-2022-Generic-Biosimilar-Medicines-Savings-Report.pdf>

¹¹ FDA. Generic Drugs: Questions & Answers. <https://www.fda.gov/drugs/frequently-asked-questions-popular-topics/generic-drugs-questions-answers#2>

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As shown by the FDA's economic analyses which measure the impact additional approved generic equivalents can have on consumer generic drug prices, the high adoption rate can be attributed to market competition.

PBMs have also played a role in the high adoption rate by encouraging the use of the most affordable drugs for patients by providing prescribers with information about generic alternatives, setting performance standards for pharmacies to encourage generic dispensing, and ensuring patients are aware of and are incentivized—through reduced cost sharing—to choose lower-cost alternatives.

Formulary flexibility is a key factor in encouraging the use of affordable therapies. Without the threat of losing business, manufacturers are less inclined to negotiate on price. Without a cost share structure that encourages consideration of affordability, patients and their providers don't know which one is the lowest cost. Generic substitution laws and health plan formularies have contributed in large part to strong uptake and associated savings, forcing drug companies to compete. Biosimilars hold a similar promise in the biologics market.

I urge the committee to consider the cost implications to the insured population and vote no. I welcome the opportunity to further discuss these concerns and work towards evidence-based solutions to help people get the medicine they need to feel better and live well. Thank you for your time and consideration.

Respectfully,



Michelle Crimmins
Government Affairs, Prime Therapeutics