

February 18, 2020

The Honorable Jene Vickrey, Chair
House Committee on Insurance
Kansas Legislature
Kansas State Capitol, Room 212-N
300 SW Tenth St.
Topeka, KS 66612-1504

Re: House Bill 2598

Dear Chair Vickrey and members of the committee:

Thank you for the opportunity to comment on HB 2598. I represent Prime Therapeutics (Prime), a pharmacy benefit manager (PBM) owned by 18 not-for-profit Blue Cross and Blue Shield Insurers, subsidiaries or affiliates of those Insurers, including Blue Cross & Blue Shield of Kansas. HB 2598 presents a number of serious issues, the totality of which would increase costs in the health care system and decrease the quality of pharmacy services that Kansans receive. Rather than addressing the issue of drug pricing, this bill would handicap the entities that are actually curbing the rise in drug prices set by drug manufacturers. Thus, Prime opposes HB 2598.

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 28 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 not focused on driving profit margins. To control costs, Prime's clients rely on our clinical expertise and drug management tools to steer patients and physicians toward lower-cost drugs and to reduce overall drug spending.

HB 2598 ignores the substantial value these tools bring to the drug supply chain. Transparency and eliminating our ability to manage our pharmacy networks are two of the main ways in which this bill overlooks the value provided by a PBM.

Transparency (Section 3)

Prime passes through to its owner health plans all rebates that it receives in connection with that plan. Transparency with our owner plans is a foundational principle and one that allows them to fully see the value we deliver. Mandating public access to that information, though, raises serious problems for competition in the drug supply chain. At its core, the transparency portion of this bill is anti-competitive and misdirected. Rebates allow PBMs to soften the blow delivered by the high drug prices set by pharmaceutical manufacturers. This bill significantly damages our ability to negotiate rebates and thus would lead to continued and more significant drug price increases. Prime favors *meaningful transparency* and includes it in its relationships with its

owner health plans. This bill does not include transparency that would provide anything meaningful, whether to consumers or regulators.

Network Management (Sections 4-10, 12-13, 18-23)

Prime uses a variety of network management tools to promote competition in the pharmacy space and ultimately reduce overall drug spending for its health plan clients. This bill takes aim at a number of these, the effects of which would be decreased competition amongst pharmacies and lower quality pharmacy services. For example, Prime credentials its network pharmacies and holds them accountable to certain quality and financial standards. Without the ability to credential its network pharmacies and effectively audit them, Prime cannot ensure that the Blue Cross & Blue Shield members we serve will receive high-quality pharmacy services at a competitive price. Eliminating our ability to effectively manage our network and will decrease quality and increase prices.

Conclusion

Prime uses a variety of tools to curb the rising drug prices set by drug manufacturers. We work to deliver the lowest-net-cost pricing for drugs to our health plans and thus lower costs to their members. If we increased cost to the health care system, there would not be a place for us in the drug supply chain. But over and over, the value of PBMs has been affirmed. This bill would handicap a number of ways in which we provide that value and, as a result, increase prices in the drug supply chain. For these reasons, we oppose this bill and look forward to further discussing our objections with the committee.

Respectfully,

Alexander H. Sommer, Esq.
Prime Therapeutics