



ALLIANCE *for* TRANSPARENT &
AFFORDABLE PRESCRIPTIONS

March 28, 2018

Health, Insurance, & Environment Committee
Colorado House Committee of Reference
Attn: Jimmy Read, Committee Staff
200 E Colfax Avenue
Denver, CO 80203

Re: Support of HB 18-1284 – Patient Drug Costs Savings Act

Dear Committee Members:

On behalf of the Alliance for Transparent and Affordable Prescriptions (ATAP), I am writing to express our support for and the importance of HB 18-1284, a bill that seeks to ensure Colorado patients do not pay any more than they must for their prescription medications by increasing transparency and accountability for pharmacy benefit managers (PBMs).

The Alliance for Transparent and Affordable Prescriptions (ATAP) consists of nineteen patient and provider groups who are concerned about the role PBMs play in the rising cost of drugs and reduced patient access to affordable treatment. PBMs are third-party entities that are hired by insurers and health plan sponsors to manage and administer prescription drug benefit plans. They essentially act as middlemen between insurers, drug manufacturers, and pharmacies and thus have a uniquely central role in the drug market, handling everything from setting patient copayment amounts to determining which drugs are covered by which health plans.

Among other functions, PBMs use their intermediary position to negotiate rebates and retroactive discounts with drug manufacturers in exchange for including the manufacturer's drug on the PBM's tiered formulary, or the list of approved drugs that the PBM will cover in full or part. A drug's tier placement determines its level of coverage and therefore how much it will cost patients out-of-pocket and what restrictions are placed on it. PBMs claim to pass a portion of the rebates and discounts they get from manufacturers back to the insurers to help drive down costs for patients, but due to the opaque nature of their contracts, most of these funds appear to go to their bottom line. Unfortunately, there is very little transparency surrounding PBMs and their role within the delivery system, nor are there any requirements to pass negotiated savings onto payers or patients.

By imposing restrictions on PBMs regarding cost, HB 18-1284 will help ensure Colorado patients do not pay an excessive amount for the medications they need. Although patients often assume that their copayment or other cost-sharing requirements will be less than the retail ("cash") price of a

drug, this is not always the case. Unfortunately, pharmacists are often prohibited by PBMs from telling customers about lower cost options, and are sometimes even obligated to charge them the full, applicable cost-share amount even if the retail price for their medication is less. If a pharmacist is obligated to charge this higher price, the PBM may then collect as revenue the difference between a patient's cost-share and the lower retail price.

HB 18-1284 seeks to address these practices by prohibiting PBMs from requiring pharmacies to charge or collect a copayment at the point of sale that exceeds the total submitted charges by the network pharmacy. Moreover, the bill takes aim at gag clauses that restrict pharmacists from conveying cost information to customers, prohibiting PBMs from including in their contracts with pharmacies any provision that would ban a pharmacy or pharmacist from providing information to patients on the cost share amount for their prescriptions and the clinical efficacy of any more affordable alternative drugs that are therapeutically equivalent.

As such, HB 18-1284 will provide added accountability for PBMs operating in Colorado and will go a long way in bringing about a level of transparency to the PBM industry. ATAP therefore strongly urges you to support this legislation and vote in favor of the bill, which will be heard and considered in the House Health, Insurance, and Environment Committee on Thursday.

PBMs have a significant impact on patients and their ability to obtain the medications they need in a timely and affordable manner, and yet very little is known about their role. This bill is an important first step toward lifting the veil of secrecy from the complex and opaque PBM industry and bringing about a more transparent, patient-centered drug delivery system in the United States. ATAP has been working tirelessly to educate state lawmakers on this issue and the importance of regulating and imposing transparency on PBMs through state legislation, and looks forward to working with the Colorado legislature and the Insurance Commissioner's office to help provide information and insight into the problematic practices of PBMs.

In sum, the Alliance for Transparent and Affordable Prescriptions requests that you allow and favorably vote in support of HB 18-1284. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'RL', with a long horizontal flourish extending to the right.

Robert Levin, MD
President, ATAP