PCMA
PHARMACEUTICAL CARE MANAGEMENT ASSOCIATION

October 22, 2013

The Honorable Patty Murray
Chairman
Senate Committee on the Budget
SD-624 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Paul Ryan
Chairman
House Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

The Honorable Jeff Sessions
Ranking Republican
Senate Committee on the Budget
SD-624 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Senators Murray and Sessions, Representatives Ryan and Van Hollen:

On behalf of the Pharmaceutical Care Management Association (PCMA), which represents America's pharmacy benefit managers (PBMs), we are writing to offer debt-reducing solutions that could save the federal government $100 billion in prescription drug costs over 10 years.

PBMs administer prescription drug benefits for more than 216 million Americans with health coverage provided through Medicare, Medicaid, Fortune 500 employers, health insurers, labor unions, and the Federal Employees Health Benefits Program.

PBMs' track record of success has been demonstrated in the Medicare prescription drug benefit by keeping the program under budget estimates and premiums low for seniors and the disabled. According to the Medicare Trustees, Part D expenditures in 2014 are projected to be $83.6 billion, more than 40 percent less than originally projected by the Congressional Budget Office (CBO). In addition, the average projected beneficiary premium of $31 for 2014 is the fifth consecutive year of flat premium growth and nearly 50 percent lower than the CBO originally projected.

The following policies would significantly reduce costs for the federal government and improve benefits for patients:

- **Modernize Medicaid Pharmacy.** Over the next decade, the federal government could save $43 billion—without cutting benefits or access—by upgrading management of Medicaid pharmacy benefits. Proven savings tools —including negotiating competitive pharmacy dispensing fees, encouraging the use of generics and preferred brands, reducing waste, and implementing pharmacy networks — have long been used by many private-sector employers, union plans, Medicare Part D, and Medicaid managed care plans, but are still under-utilized by most state Medicaid programs.

- **Create 'Safe Pharmacies' in Part D for Controlled Prescription Drugs**. Medicare Part D should allow plans to designate "safe pharmacies" that dispense controlled substances to beneficiaries at high-risk for abuse. This maintains beneficiary access to needed medications, but prevents "drugstore shopping." These programs have saved millions of dollars in state Medicaid programs and the private sector by reducing inappropriate dispensing of controlled substances and increasing patient safety.

- **Greater Use of Preferred and Limited Pharmacy Networks in Medicare.** Today, there are more drugstores in the U.S. than McDonald's, Burger Kings, Pizza Huts, Wendy's, Taco Bells, Kentucky Fried Chickens, Domino's Pizzas, and Dunkin' Donuts combined, creating a highly competitive environment. New research finds that preferred pharmacy networks will reduce federal Medicare Part D costs up to $9.3 billion over the next 10 years.

- **Encourage Chronic Care Pharmacy and Home Delivery in Medicare.** Currently, beneficiaries in private-sector retiree plans use home delivery four times more often than those in Part D plans because Medicare places restrictions on home delivery benefit options. Removing Medicare's restrictions on home delivery and encouraging beneficiaries to get their maintenance medications by mail would improve drug adherence and save Medicare on hospital and physician costs. Home delivery is popular with patients because it offers less expensive 90-day prescriptions and is more convenient than driving to the drugstore.

- **Allow Medicare Plans to Negotiate Discounts on Every Brand Drug.** Removing the mandate that entitles "all or substantially all" drugs in Medicare's six protected classes to be covered—whether or not the manufacturer offers price concessions—would increase competition among brand manufacturers. When manufacturers are guaranteed that their drug will be covered, they have no incentive to offer price concessions. The "protected drug class" rule in Part D makes it virtually impossible to negotiate price concessions on certain brand drugs.

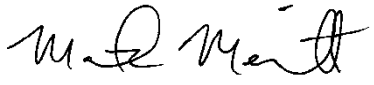
- **Increase Cost-Sharing Incentives for Part D Low Income Subsidy (LIS) Enrollees to Use Generic Drugs.** Compared to other Part D enrollees, LIS enrollees are using more expensive brand drugs even when a lower cost generic are available. Consistent with the Medicare Payment Advisory Commission's recommendations, incentivizing the use of lower cost generics in this population will reduce costs without compromising quality or access.

- **Expedite the Approval of Biogenerics.** As the number and cost of expensive biologic drugs drastically increase, so does the urgency to begin the approval pathway for biogenerics. Reducing the number of years a drug company has "exclusivity" or monopoly pricing power would increase competition and lower costs for payers and consumers. The President's budget proposes to *"accelerate access to affordable generic biologics by modifying the length of exclusivity on brand name biologics."* According to the budget, these changes would result in $3 billion in savings for Medicare and Medicaid over 10 years.

- **Ban a Tax Deduction for Direct-to-Consumer (DTC) Drug Advertising.** DTC drug advertising is a key tool used by brand drug manufacturers to drive consumers to take brand medications. The costs of this advertising are tax deductible. While the First Amendment allows for such advertising, it does not require taxpayers to subsidize promoting the most expensive drug treatments.

PCMA and its member companies stand ready to provide our insights and solutions to help lower costs while maintaining high access to prescription drug benefits.

Sincerely,



Mark Merritt
President and Chief Executive Officer