July 19, 2010

Mr. Bill Zielinski
Associate Director for Retirement and Benefits
U.S. Office of Personnel Management
1900 E. Street, NW
Washington, D.C. 20415

Subject: PBM Transparency in FEHBP Plans and OPM-Administered Health Insurance Exchange Plans

Dear Mr. Zielinski:

On behalf of the National Community Pharmacists Association (NCPA), we are writing regarding a number of issues relating to the oversight of pharmacy benefit managers (PBMs) currently pending at this time before the Office of Personnel Management (OPM). NCPA represents the pharmacy owners, managers and employees of more than 22,000 independent community pharmacies across the U.S. The nation's independent pharmacies, independent pharmacy franchises and independent chains dispense nearly half of the nation's retail prescription medications.

<u>Proposed FEHBP Standards for Pharmacy Benefit Management Company (PBM) Arrangements (Jan 2011)</u>

NCPA has long championed the need for both federal and state oversight of pharmacy benefit managers (PBMs) due to the problems our members and their patients continue to face in dealing with these unregulated entities. PBMs have been permitted to operate virtually unchecked since their inception, slowed only by the increasing amount of litigation alleging fraudulent and deceptive business practices filed against the PBMs each year.

NCPA has been, and continues to be, supportive of H.R. 4489, a bill that would seek to impose transparency and other requirements on the PBMs that serve any of the FEHBP plans. Likewise, we are encouraged that the recently proposed OPM standards for PBMs include provisions that would require the PBM to disclose the names of any entities that maintain a controlling interest in the PBM; require the PBM to pass through to the carrier any "negotiated discounts, rebates, credits or other financial benefits"; and provide the OIG with access to all PBM records and contracts.

NCPA feels strongly that all of these provisions must be retained in any final version of these standards, including all future versions, in order to affect any meaningful reform of the current system and to ensure that the federal government is able to reduce prescription drug spending and receive high quality, cost effective services from its PBM.

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We also urge that OPM require PBMs to disclose the basis of their reimbursement for mail order prescriptions. Many PBMs repackage their own drugs for their mail order outlets and assign a higher "AWP" basis to these drugs than is assigned for the same quantity of the drug product sold to community pharmacies. The PBM then gives the illusion that these drugs are less expensive than community pharmacy dispensed prescriptions by providing a greater "discount" on the higher-priced mail order drugs than community pharmacy prescriptions. It is critical that OPM understand the games that PBMs play with mail order reimbursement because we believe that mail order prescriptions are ultimately more expensive for the payer, and result in more waste than those prescriptions dispensed by community pharmacies.

Transparency Requirements for PBMs serving Plans in OPM Multi-State Exchanges Created Under Federal Health Care Reform

NCPA was a strong supporter of the PBM transparency requirements that were included in the Patient Protection and Affordable Care Act (PPACA - P.L. 111-148) that will apply to plans in state exchanges as well as in OPM-administered multi-state exchanges. Under Title VI Section 6005 of PPACA, PBMs that serve these plans must report to the Secretary information regarding the generic dispensing rate, the rebates, discounts, or price concessions negotiated by the PBM and the payment difference between health plans and PBMs and the PBMs and pharmacies.

Moving forward, NCPA would like to ensure that these requirements are included in any OPM regulations that are drafted to implement the multi-state exchange plans. Ideally, NCPA would support extending the recently proposed FEHBP PBM standards to all OPM administered plans, including the PBMs that will ultimately serve the multi-state exchanges as well.

Conclusion

In conclusion, NCPA appreciates the opportunity to express our sentiments on PBM transparency requirements both in the proposed FEHBP standards as well as in the to-be-created OPM administered multi-state exchanges. NCPA would very much appreciate the opportunity to meet with OPM staff to discuss these issues in greater depth and to explore ways in which NCPA may be of assistance to OPM in furtherance of these initiatives. Please contact Susan Pilch in the NCPA Policy and Regulatory Affairs Department at susan.pilch@ncpanet.org or (703) 838-2669 to arrange a mutually suitable meeting date and time.

Thank you.

Sincerely,

John M. Coster

John M. Coster, PhD., RPh
Senior Vice President, Government Affairs