PCMA
PHARMACEUTICAL CARE MANAGEMENT ASSOCIATION

October 8, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
S-221
Capitol Building
Washington, DC 20510-7020

The Honorable John A. Boehner
Speaker of the House
United States House of Representatives
H-232
Capitol Building
Washington, DC 20515-6501

Dear Senate Majority Leader Reid and Speaker Boehner:

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 more than $100 billion dollars in prescription drug costs over ten years and help avert the severe cuts called for in sequestration.

PBMs administer prescription drug benefits for more than 210 million Americans with health coverage provided through Medicare, Medicaid, Fortune 500 employers, health insurers, labor unions, and the Federal Employees Health Benefits Program (FEHBP).

PBMs' track record of success has been demonstrated in the Medicare prescription drug benefit. As administrators of Part D, PBMs have helped the program beat budget projections and lower expected premiums for seniors. According to the Medicare Trustees, Part D expenditures in 2013 are projected to be $79 billion, more than 40 percent less than originally projected by the Congressional Budget Office (CBO). In addition, the average beneficiary premium of $30 in 2013 is nearly 50 percent lower than CBO originally projected.

Using innovative cost-saving tools and technologies, PBMs work with payers to design drug benefits that lower costs and expand access to prescription drugs. These tools – including pharmacy networks, home delivery, utilization management (such as step therapy and prior authorization), and formularies – help make prescription drug benefits more affordable.

- **Modernize Medicaid Pharmacy.** Over the next decade, the federal government could save $21 billion – without cutting benefits or payments to doctors and hospitals – by modernizing Medicaid pharmacy benefits. Currently, the program uses fewer generic drugs, rarely uses preferred networks, and pays drugstores more than double the dispensing fees that Medicare or private insurers pay.

- **Encourage Chronic Care Pharmacy and Home Delivery.** 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. Home delivery is popular with patients because it offers less expensive 90-day prescriptions and is more convenient than driving to the drugstore. With mail-service pharmacies, patients can get private counseling over the phone from trained pharmacists seven days a week, 24 hours a day.

Removing Medicare's restrictions on home delivery and encouraging beneficiaries to get their maintenance medications by mail could improve drug adherence and save Medicare on hospital and physician costs.

- **Allow Plans in Medicare and the Exchanges to Negotiate Discounts on Every Brand Drug.** Increase price competition among brand drug manufacturers by removing the mandate that "all or substantially all" drugs in Medicare's six protected classes be covered. When manufacturers are guaranteed that their drug will be covered, they have no incentive to offer price concessions to Part D, exchange plans, or beneficiaries. The "protected drug class" rule in Medicare Part D makes it virtually impossible to negotiate price concessions on certain brand drugs and has, according to the Centers for Medicare and Medicaid Services (CMS) Actuary, increased prescription drug costs by $4.2 billion.

- **Maximize Generic and Therapeutic Substitution in Part D**. Fully realize the potential savings as outlined by CBO by increasing generic and therapeutic interchange opportunities in Part D and shifting spending from the most expensive single source drugs to equally effective lower cost options.

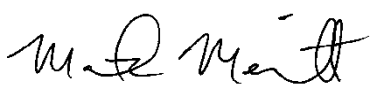
- **Expedite the Approval of Biogenerics**. Increase competition for biologic drugs by reducing the number of years a drug company has "exclusivity" or monopoly pricing power. As the number and costs of these expensive biologic drugs drastically increases, so does the urgency to begin the approval pathway for biogenerics as quickly as possible.

- **Reduce Generic Cost Sharing for Part D Low Income Subsidy (LIS) Enrollees.** Compared to other Part D enrollees, LIS enrollees are using more expensive brands even when a lower cost generic is available. Consistent with the Medicare Payment Advisory Commission's (MedPac) recommendations, reducing or eliminating cost sharing can increase the use of lower cost generics with no compromise in quality or access.

- **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.

Appreciating the serious challenges you face as you work to address the nation's budget deficit and long-term debt, 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