

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA

BANKING AND INSURANCE
Senator Broxson, Chair
Senator Rouson, Vice Chair

MEETING DATE: Tuesday, November 5, 2019
TIME: 2:00—4:00 p.m.
PLACE: *Pat Thomas Committee Room, 412 Knott Building*

MEMBERS: Senator Broxson, Chair; Senator Rouson, Vice Chair; Senators Brandes, Gruters, Lee, Perry, Taddeo, and Thurston

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
		Presentations on the role of Pharmacy Benefit Managers in the Private Insurance Market	Presented
<hr/>			
	Other Related Meeting Documents		

Shane Abbott, Pharm.D.

Co-Owner, The Prescription Place in Defuniak Springs, FL

Shane Abbott is the co-owner of The Prescription Place, a locally owned, independent pharmacy in Defuniak Springs, FL. Upon graduation, Shane returned home to DeFuniak Springs, Florida to practice and provide care for family, friends and his community. In 2006 he and another local pharmacist opened and still co-own The Prescription Place.

Shane is a graduate of the University of Florida College of Pharmacy.

Senate Banking & Insurance Committee

Tuesday, November 5, 2019

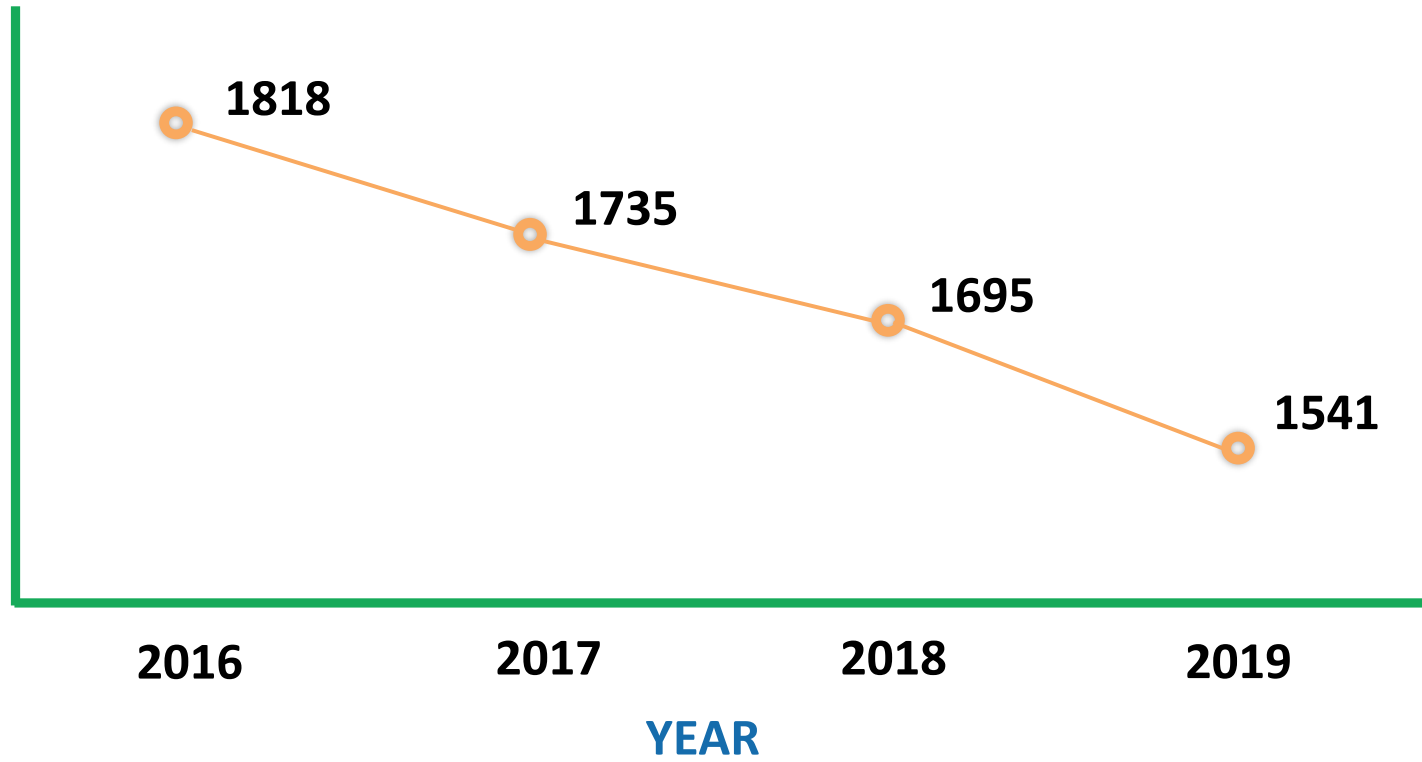
Presenter: Shane Abbott
The Prescription Place



15% Decrease in # of Independent Pharmacies in FL



OF INDEPENDENT PHARMACIES IN FL



Source: Quest Analytics analysis of NCPDP Pharmacy Count Data, 2019

Decrease leads to...



**Patients lose their
local pharmacy**



**Patients have to
drive out of their
way to get their
prescriptions**



**Often leads to an
overall drop in
medication
adherence**

Problem stems from...



**Contracting
Issues**



**Manipulative
Steering**



**Arbitrary
Payments**



**Debilitating
Clawbacks**

Contracting



PSAOs are presented with take it or leave it contracts

Plan sends pharmacy direct contract that is take it or leave it

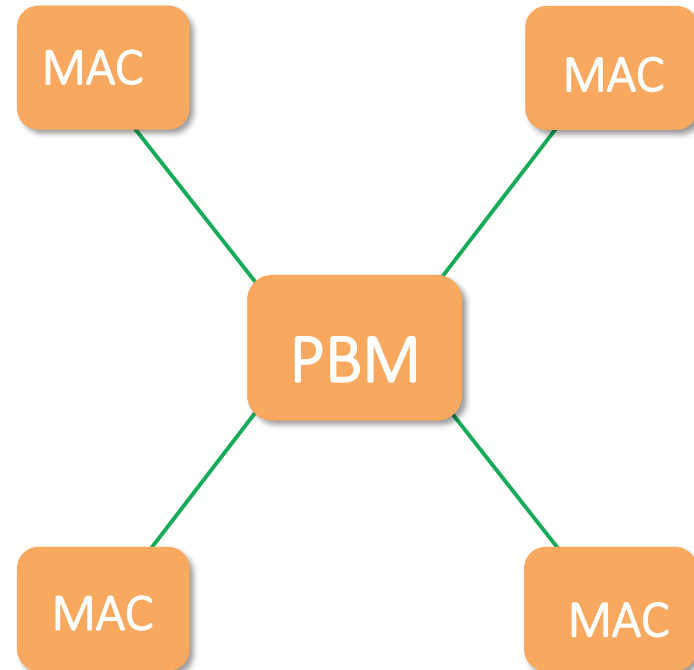
Non-negotiable contracts as a result of monopolies

Closed networks cause patient access issues and eliminate competition

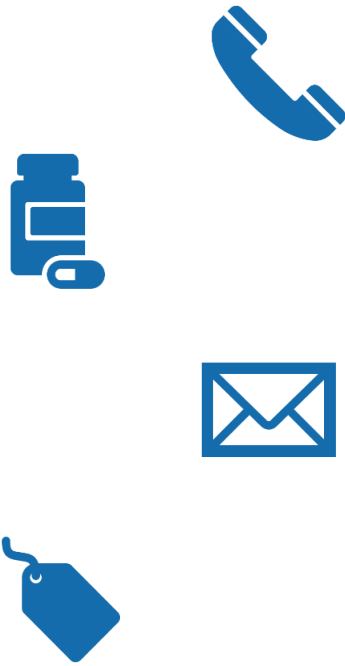
Inefficient contract processes leave neighborhood pharmacies struggling to provide services for their patients

Payments

- **Maximum Allowable Costs (MAC)**
 - Same PBM uses several MACs
 - PBMs uses MAC to adjust profit margin to benefit themselves, not the patient
 - Currently subsidizing Medicaid



Steering



- **PBMs use letters, phone calls, and other incentives to convince patients to use their own pharmacy or mail order pharmacy**
- **Specialty drugs are required to be filled at their pharmacy only**
- **Frequently, this steering leads to patient compliance issues due to non-local access**

Clawbacks



- Independent pharmacies live in fear of fraudulent audits
- Independent pharmacies receive payments that are less than at the time of adjudication
 - In network fees
 - Out of network fees
 - Customer service fees
- Clawback money is being used to improve profit margins and not lower health care costs

Independent pharmacies lose money providing patients with necessary prescriptions



Focus On:



Most crucial factor that needs to be addressed is the reduced access for patients.

This can be accomplished through...

- No narrow networks for Medicaid
- No payment below cost of drug
- No steerage for PBM-owned pharmacies, mail order or specialty
- No POST adjudication fees
- No abusive audits with drug cost recoupment (other than fraud)

Contact

Shane Abbott

Prescription Place

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DeFuniak Springs, FL 32433

850-892-6898

prescriptionplace@yahoo.com



Small Business **P**harmacies **A**ligned for **R**eform

Tom Brownlie, M.S.
Senior Director, U.S. Policy, Pfizer Global Policy

Tom brings over 15 years of experience in various facets of the biopharmaceutical industry. Tom leads Pfizer's U.S. State Policy team and is responsible for developing and implementing coordinated national strategies to ensure Pfizer's policy strategies are patient-centered and align with enterprise-wide objectives. Tom's health policy expertise includes insurance benefit design, utilization management, drug pricing, the drug supply chain, prescription drug importation, health information technology (HIT), prescription drug abuse, Medicaid, Affordable Care Act implementation, and conflict of interest. Tom holds a Bachelor of Science in biology and nutrition, and a Master of Science in nutritional sciences, with minors in epidemiology and international nutrition, from Cornell University.

Pharmaceutical Supply Chain: *Patient Impact*

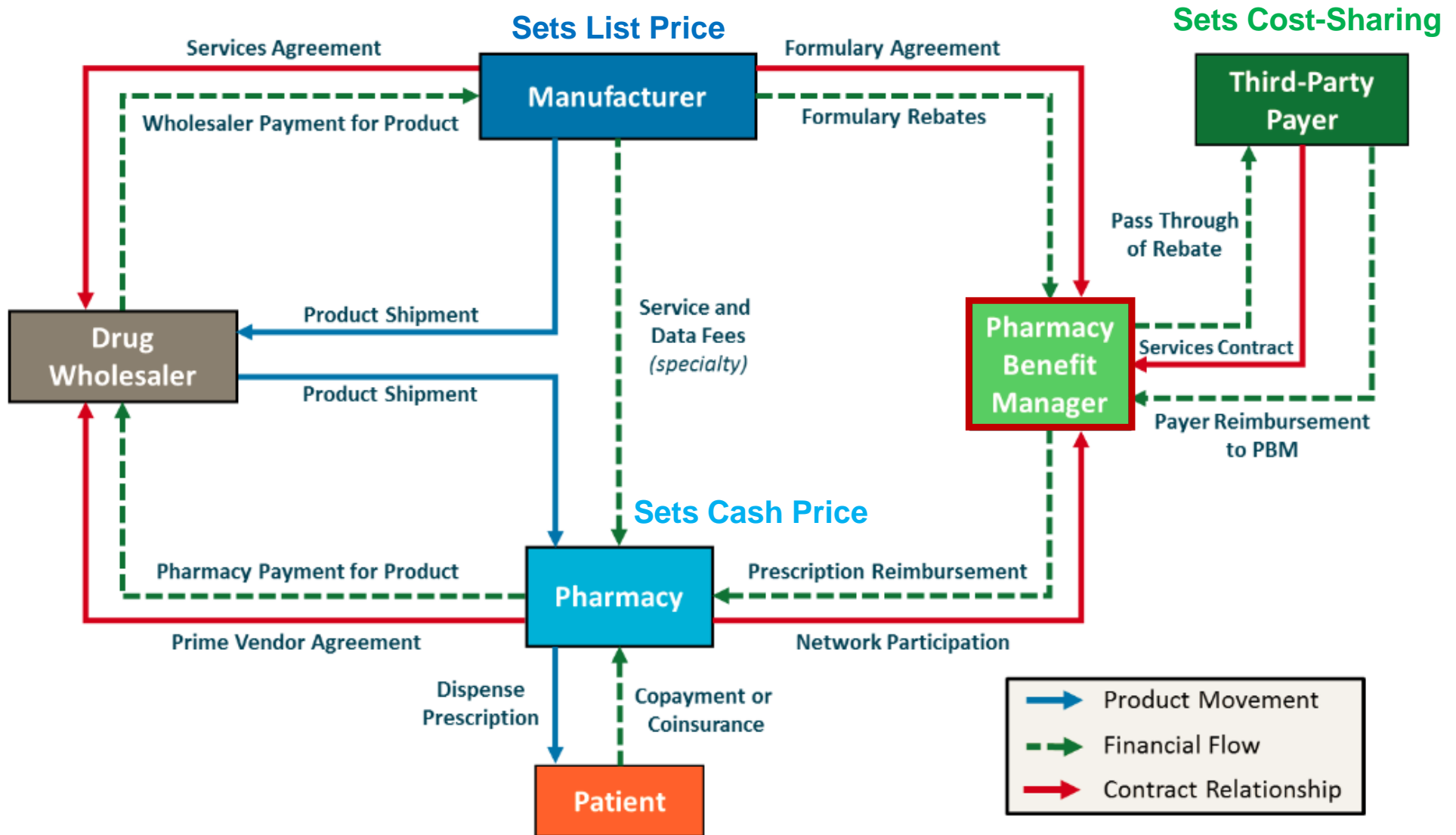
November 5, 2019



GLOBAL POLICY



Pharmaceutical Supply Chain



Role of PBMs

Pharmacy Benefit Management Services



Claims Processing



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers and Drugstores



Formulary Management



Pharmacy Networks



Mail-service Pharmacy



Specialty Pharmacy

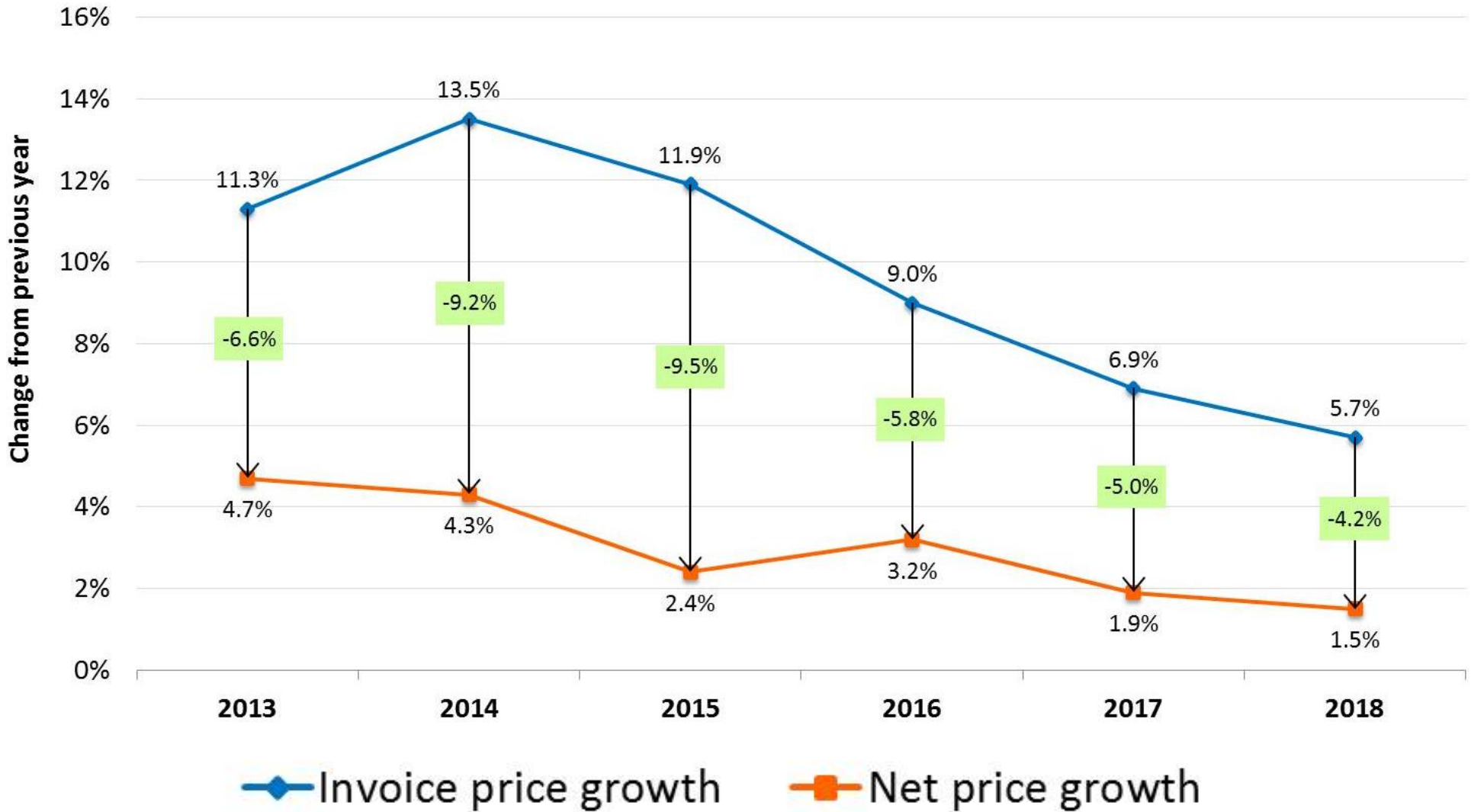


Drug Utilization Review



Disease Management and Adherence Initiatives

List vs. Negotiated Price Growth



Spending Trend



2016

2018

3.2%



1.2%



3.8%

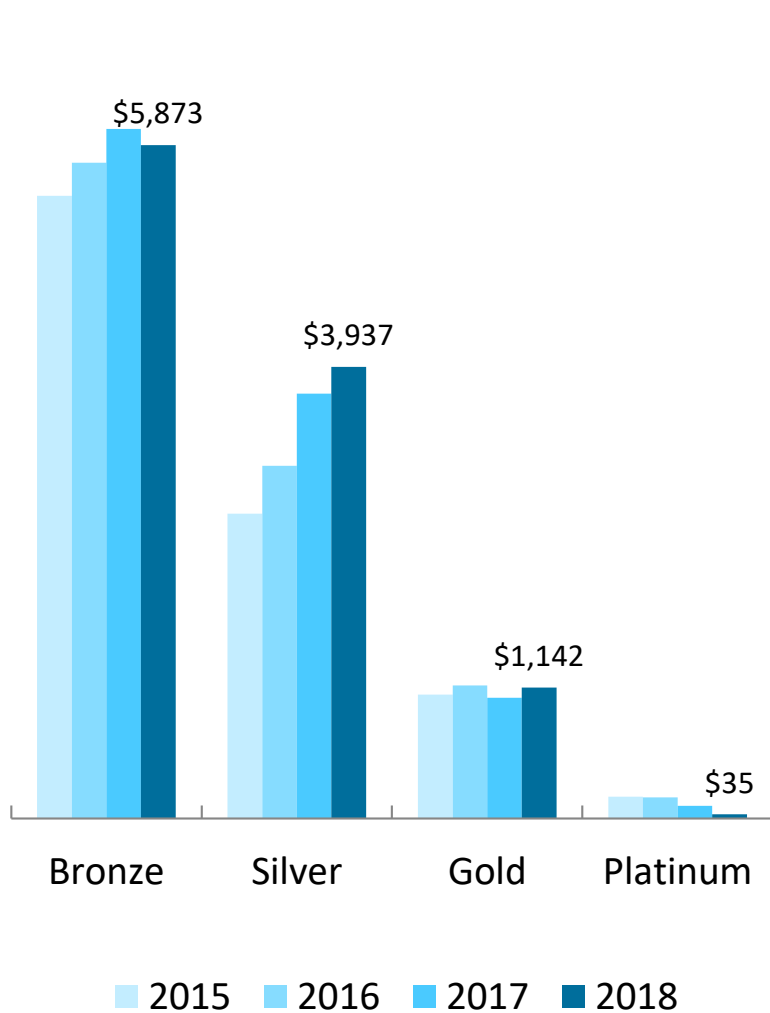


0.4%

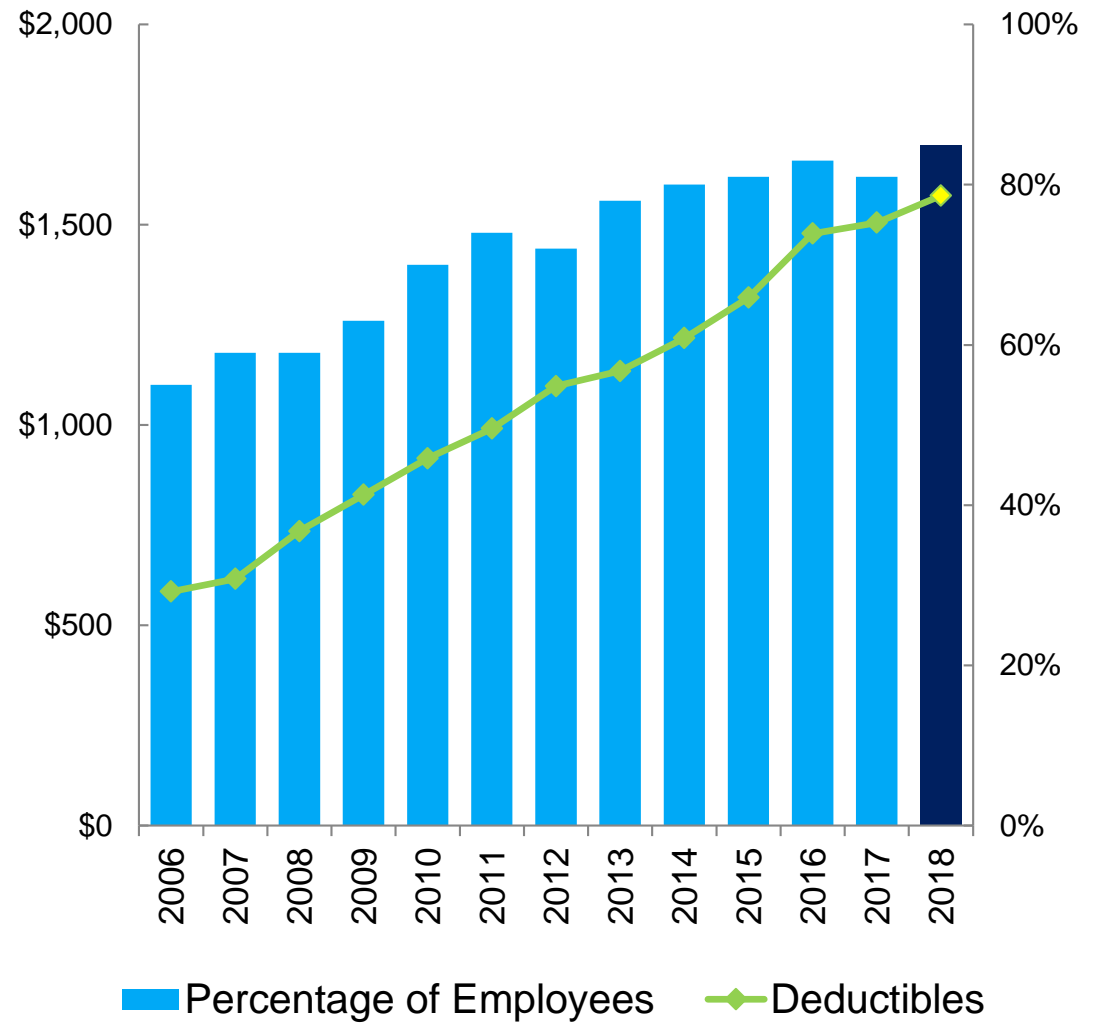
Annual Spending Growth

Patient Cost-Sharing Trends

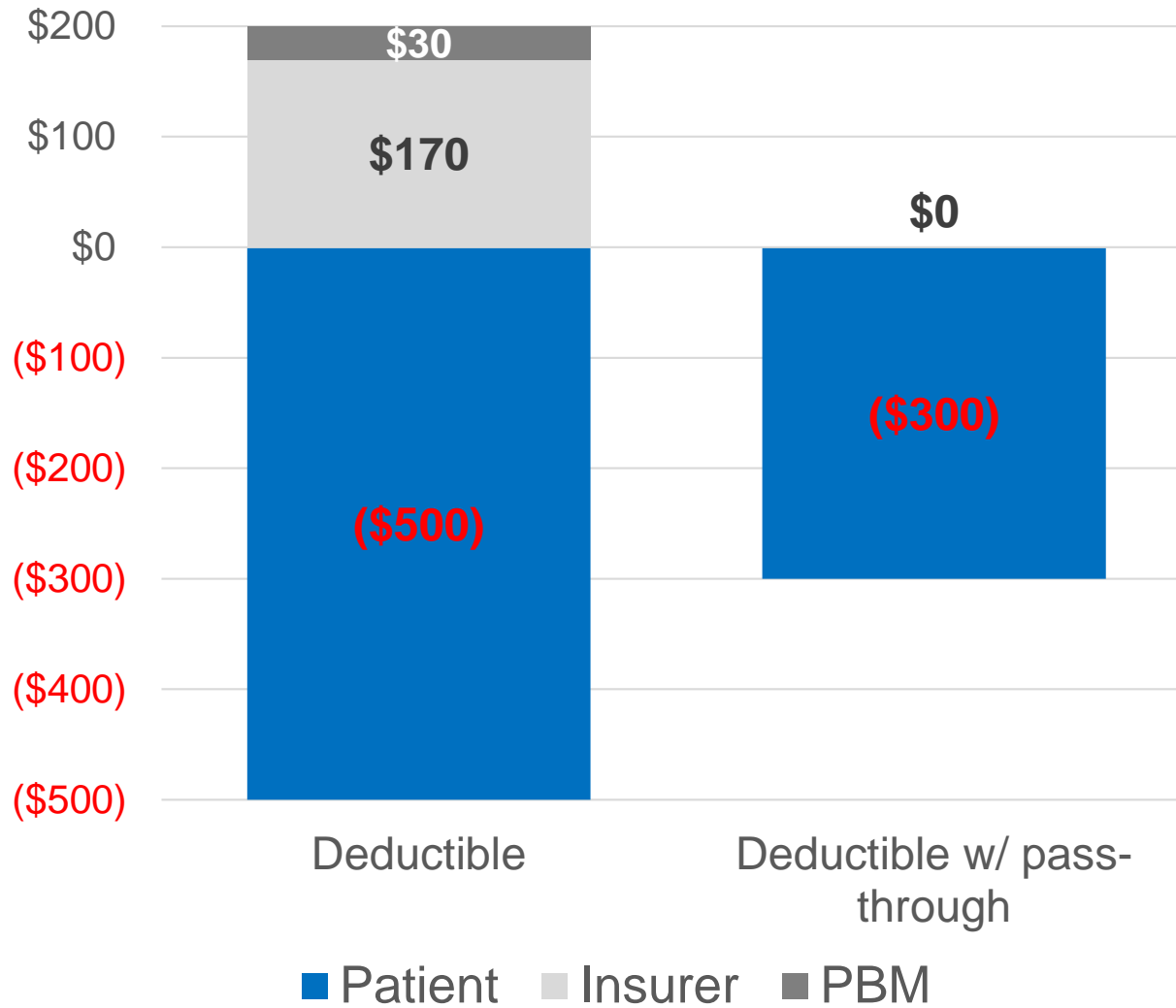
Exchange Plans



Employer Plans



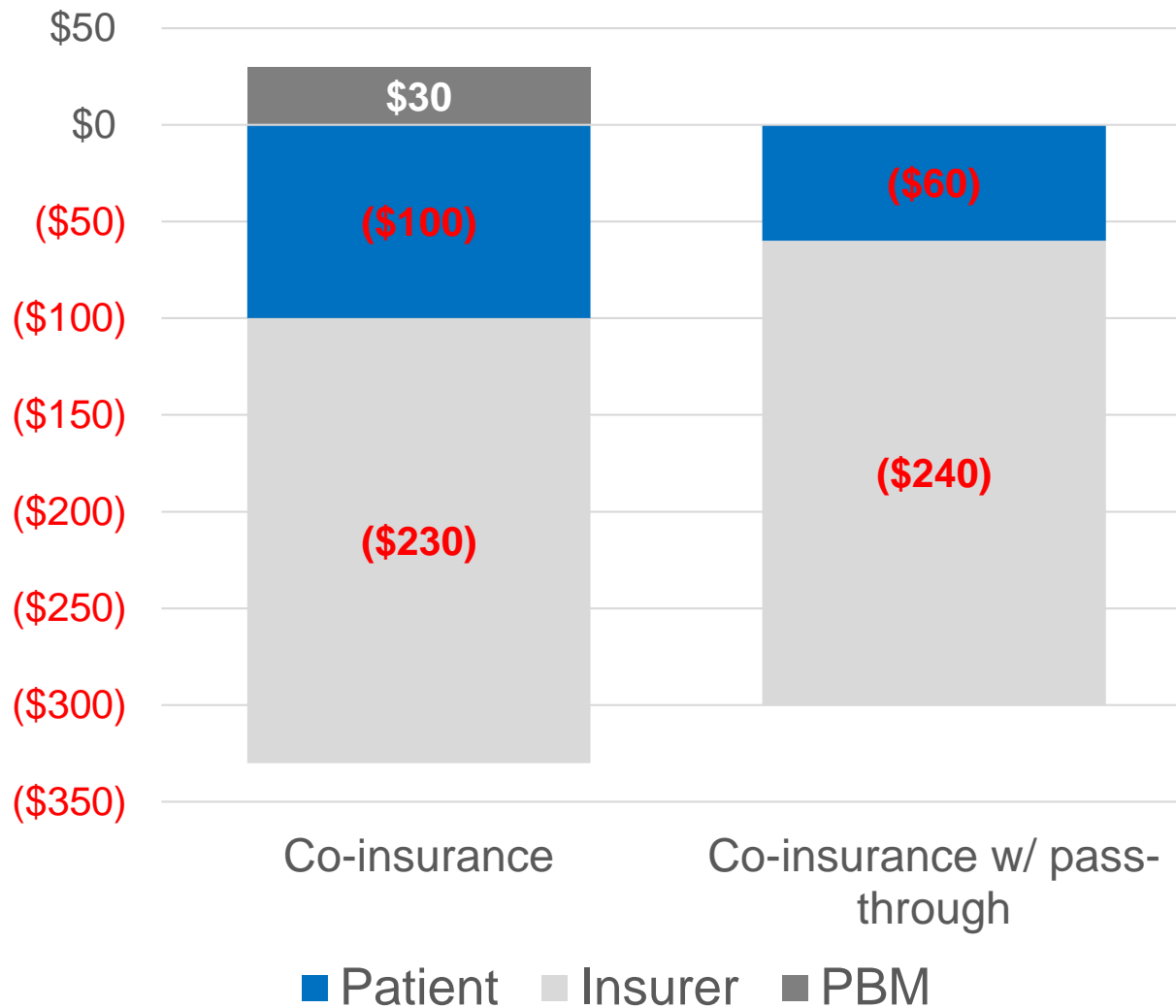
Impact on Patients



Milliman Rebate Example:

- \$500 – Rx List Price
- 40% – Negotiated Rebate
- Patient deductible

Impact on Patients



Milliman Rebate Example:

- \$500 – Rx List Price
- 40% – Negotiated Rebate
- 20% – Patient Co-Insurance

Thank you!



GLOBAL POLICY

Tricia Fitzsimmons
Director of Public Policy, Novartis

Tricia Fitzsimmons is the Director of Public Policy for Novartis focused on pricing policy and strategy. In her role, Tricia is responsible for developing policy positions and working with all U.S. Novartis businesses to assess the impact of federal and state legislative and administrative pricing proposals in the US healthcare system. Her prior pharmaceutical and biopharmaceutical industry experience includes commercial, managed care, and government pricing and contracting roles at Sandoz (a subsidiary of Novartis), Bayer Pharmaceuticals, and GE Healthcare Life Sciences.

Tricia has her Bachelor's Degree in Political Science and Government/Law and her Juris Doctor with a concentration in Healthcare and Pharmaceutical law from the Center for Health Law & Policy, Seton Hall University School of Law.

Jacqueline Jacobi Regional Director of Pharmacy for Florida, New York and South Carolina, Molina Healthcare of Florida

Jacqueline Jacobi's passion for Pharmacy can be traced back to her first job working for an independent Pharmacy where she first experienced the true impact a Pharmacist could really make. Currently working as Regional Director of Pharmacy for Molina of Florida, New York and South Carolina is widely known for her strengths in Pharmacy Operations and her clinical expertise. Based in NY, Jackie, also does volunteering for Non for profit organizations and precepting for Pharmacy students in 2 of NY's Pharmacy schools.

Molina Healthcare of Florida

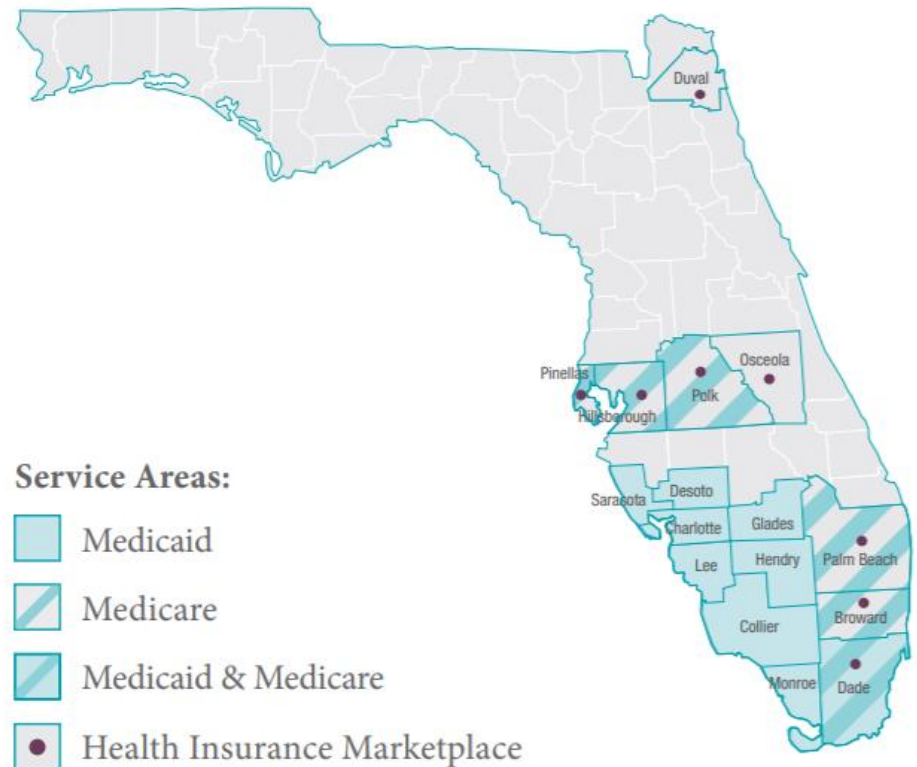
Jacqueline Jacobi, RPH

Regional Director of Pharmacy for Florida, New
York and South Carolina



Molina Healthcare of Florida

- Molina Healthcare of Florida provides government-funded care for low-income individuals. Our mission is to provide quality health care to people receiving government assistance.
- We serve approximately 140,000 members through Medicaid, Medicare, and Health Insurance Marketplace programs.



Typical Services that PBMs Perform for MCOs



Claims Processing



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers



Formulary Management



Pharmacy Networks



Mail Service Pharmacy



Specialty Pharmacy

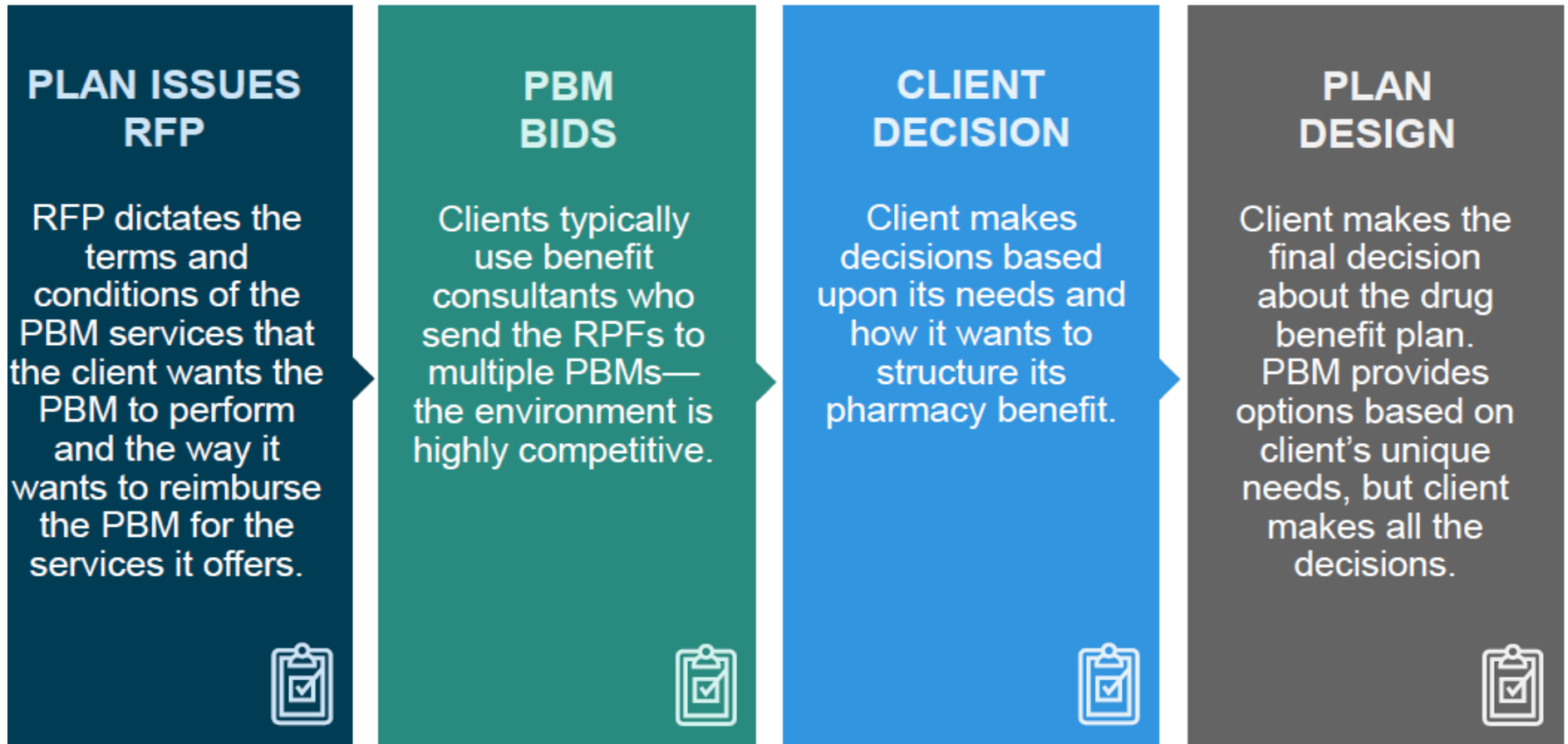


Drug Utilization Review



Disease Management and Adherence Initiatives

How a MCO Selects a PBM: the RFP Process



Complex Market Dynamics Create Challenges for Pharmacy and Whole Health Management



\$45B

per year could be saved through better care coordination³

Proven Value of PBMs in Medicare Part D

The Government Accountability Office (GAO) released a PBM report¹ in July 2019 on how Part D plans are utilizing PBMs to gain value:

- **Plans rely on PBMs.** Part D plans used PBMs to provide 74% of drug benefit management services.
 - Drug benefit management services include: negotiating rebates, establishing pharmacy networks, formulary development, management of a Pharmacy & Therapeutics Committee, utilization management (a process to ensure that drug use is based on medical necessity, efficiency, and appropriateness), claims adjudication, enrollment processing, enrollee appeals and grievance process management, customer service, coordination with other drug benefit programs, and pharmacy technical assistance.
- **PBMs pass through rebates.** PBMs negotiated approximately \$18 billion in rebates from drug makers for Part D plans and passed through 99.6% of those dollars.
- **Rebates are used by plans to lower premiums.** This is why Part D premiums have remained flat.
 - Premiums were relatively unchanged between 2010-2015, even though total gross Part D drug costs grew 12% in that same period.
- **The amount of rebates and other price concessions is growing rapidly.** From 2014 to 2016, rebates and other price concessions increased from \$17.5 billion to \$29 billion – a 66% increase showing the value PBMs provide in lowering costs.

Developing the Formulary

	Florida	New York	South Carolina
Medicaid	AHCA sets the formulary, the criteria and gets all rebates.	Molina sets the formulary, the criteria and gets all rebates except HIV, which are accounted for in rates.	Molina sets the formulary, the criteria and gets all rebates, which are accounted for in rates.
Marketplace	Molina sets the formulary, the criteria and gets all of the rebates to help reduce premiums.	Molina sets the formulary, the criteria and gets all of the rebates which are applied to reducing the premiums	Molina sets the formulary, the criteria and gets all of the rebates which are applied to reducing the premiums
Medicare	Molina selects one of the formularies that is provided by the PBM	N/A	N/A

One Driver of Cost Increase in Pharmaceutical Spend

2010 ¹		
Rank	Drug	Worldwide Sales
1	Lipitor	\$10.7B
2	Plavix	\$9.4B
3	Advair	\$8.3B
4	Enbrel**	\$7.3B
5	<u>Humira**</u>	\$6.5B
6	Zyprexa	\$5.0B
7	Nexium	\$5.0B
8	<u>Singulair</u>	\$5.0B
9	Seroquel	\$5.0B
10	<u>Lovenox</u>	\$3.6B
Total Top 10		\$65.8B

2018 ²		
Rank	Drug	Worldwide Sales
1	<u>Humira**</u>	\$19.9B
2	<u>Eliquis</u>	\$9.9B
3	<u>Revlimid</u>	\$9.7B
4	<u>Opdivo</u>	\$7.6B
5	<u>Keytruda</u>	\$7.2B
6	Enbrel**	\$7.1B
7	Herceptin	\$7.0B
8	<u>Avastin</u>	\$6.8B
9	<u>Rituxan</u>	\$6.7B
10	<u>Xarelto</u>	\$6.6B
Total Top 10		\$88.5B

Pharma's TV advertising spend increased about 8% in 2018 to \$3.73B¹

Rank	Drug Name	Use	TV Ad Spend	% of Spend
1	<u>Humira</u>	inflammatory conditions	\$375M	10.0%
2	Lyrica	neuropathic pain	\$213M	5.7%
3	<u>Xeljanz</u>	inflammatory conditions	\$209M	5.6%
4	<u>Trulicity</u>	diabetes	\$183M	4.9%
5	<u>Xarelto</u>	prevent blood clots/stroke	\$143M	3.8%
6	<u>Otezla</u>	inflammatory conditions	\$139M	3.7%
7	<u>Eliquis</u>	prevent blood clots/stroke	\$136M	3.6%
8	<u>Keytruda</u>	oncology	\$107M	2.9%
9	<u>Ibrance</u>	oncology	\$92M	2.5%
10	Jardiance	diabetes	\$86M	2.3%

Policy Areas which Can Cause Member Disruption and Pharmacy Hardships:

- **Transitional fills** – State PDL conflicts with continuity of care. If we comply with the PDL and use a name brand, we increase costs. If we keep the original, we get audited.
- **Immediacy of Fills** - Some member with (i.e Cystic Fibrosis) prevent them from being able to endure a lag-time till a pharmacy can be located that has brand on hand. Also, transport issues come into play as well.
- **Flu Season** - Tamiflu treatment should begin within 48-hours. During a brand name shortage, we allowed generics to pay. Again we were audited for non compliance of the formulary.
- **FL Generics Law** - Many pharmacist are hesitant to dispense a BRAND when a generic exists based on FL generics law. If prescriber did not indicate DAW OR BRAND NAME ONLY.
- **Burden of Brand Name** - Requiring Brand prescriptions can cause hard ship on Independent Pharmacies increasing their inventory

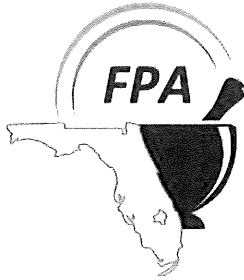
Questions or Comments?



Michael Jackson, B.Pharm, C.Ph.
Executive Vice President and CEO, Florida Pharmacy Association

Michael has been a licensed pharmacist in both Florida and Alabama for over 40 years. His practice experience includes independent and chain pharmacy as well as hospital and veterinary hospital pharmacy. He has management experience including responsibilities of over 58 pharmacies in the states of Florida, Alabama and Mississippi. He has also served on various state councils and boards including the Drug Utilization Review Board (Florida Medicaid), Collaborative Drug Therapy Management Task Force, Florida Health Insurance Advisory Board, Florida Commission on Excellence in Health Care (2001), ePrescribe Florida Advisory Council, Florida Health Information Exchange Coordinating Committee, Florida Governor's Health Information Infrastructure Advisory Board, the Florida Agency for Health Administration Electronic Prescribing Advisory Panel, and the Florida Department of Environmental Protection-Biomedical Pharmacy Technical Advisory Committee.

Michael also served 3 years in academia coordinating the professional experiential learning program at Florida A&M University as well as teaching and pharmacy practice responsibilities at Tuskegee University's College of Veterinary Medicine. He has published over 400 articles and newsletters and has been quoted in several national publications. Michael is currently the Executive Vice President and Chief Executive Officer of the Florida Pharmacy Association and is past president of the National Alliance of State Pharmacy Associations.



*Unifying and strengthening the voice of pharmacy
while advancing pharmacy practice through
education, advocacy collaboration, and relationships*

November 4, 2019

Senator Doug Broxson, Chair
Senate Banking and Insurance Committee
404 S. Monroe Street
Tallahassee, FL 32399-1100

Re: Pharmacy Benefit Manager Impact on the Pharmacies and Patients

Dear Senator Broxson,

Thank you for allowing us to provide comment to the Banking and Insurance Committee on Pharmacy Benefit Manager (PBM) issues. Our membership includes community, hospital, consultant and long term care pharmacists as well as pharmacists in government service, academia and a variety of other practice settings. Our organization has as our membership a number of professional pharmacy students, technicians as well as individuals who do not have a formal pharmacy training background but have an interest in the practice and business of pharmacy. There are also over 18 regional and local pharmacy organizations that are affiliated with the Florida Pharmacy Association. Issues related to revisions of public policy are routinely shared with these organizations.

The Florida legislature will be facing a wide variety of health policy proposals across interest groups. In many cases the most significant challenges for Florida will be those related to cost and quality of health care. This by far represents one of the biggest tasks that the Senate Banking and Insurance Committee must deal with when running a state the size of ours. Evidence shows through various studies that pharmacists help to lower health care costs as well as improve the proper utilization of prescription drugs and

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devices. Our services in our state's licensed pharmacies go far beyond the processing of prescriptions or medication orders. We are charged with the responsibility of ensuring that the drug product selected is appropriate for each patient. Some medications that are given together may cause undesirable effects. When we provide medications to patients we search for problems related to drugs interacting with each other, diseases and drugs that should not be combined or problems related to taking drugs with certain foods.

There is a pharmacy within 5 miles of every household in America. Nearly every citizen of this state will visit a pharmacy each month. Florida licensed pharmacists are available for health care consultations evenings, nights, weekends and holidays. Most do not even require an appointment. We are this state's most accessible health care professional working hard to solve the health needs of Florida.

Changes in Florida laws approved by the legislature and signed by previous governors allow pharmacists to immunize adult patients for influenza, pneumonia, shingles as well as a host of other vaccine preventable diseases recommended by the Center for Disease Control and Prevention. Well over millions of doses of flu vaccines have been administered to patients who probably would not have received a flu shot otherwise.

Having shared the above with the Committee it is important to note that our industry is also besieged by an unregulated third party middle man that has created negative disruption within the pharmacy small business community and taken away consumer choice. That entity is called a pharmacy benefit manager (PBM). Florida laws define a pharmacy benefit manager as a person or entity doing business in this state which contracts to administer prescription drug benefits on behalf of a health insurer or health maintenance organization to residents of this state. Nearly every prescription provided to consumers in this state must come through a pharmacy benefit manager or PBM. There is not much known about this industry which also means there is a lot of confidential information related to prescription drug costs that the public does not have access to. Just recently states like Ohio have been looking into PBM practices and found over \$220 million in overbilling of Medicaid by pharmacy benefit managers. That excess billing costs taxpayer dollars that could have been used for other essential state health care services. With Florida being a much larger state the scale of this problem could be greatly magnified.

Here in Florida the legislature began looking at the PBM marketplace when it was discovered that pharmacy providers were being prohibited from sharing information with patients about lower cost alternatives for their prescription medications. House bill 351 was adopted in 2018 to prohibit plan contracts with PBMs from interfering with a pharmacist's obligation to disclose lower cost options. Also over the years it was necessary to advocate for changes in Florida laws to create fair auditing standards. Unfair auditing procedures that were not clear to pharmacies resulted in massive paybacks to PBMs. In many of these cases not only was the pharmacy's fees taken away but also the cost of the prescription drug that the pharmacist legally dispensed to a patient for a drug prescribed by a physician and paid for by the pharmacy.

Pharmacies today are also not clear on how pricing is being determined and what they are being paid for their services. There is no other health care provider that we are aware of which operates in an unknown reimbursement space like this. Certain prescription drugs are placed into what is known as a maximum allowable cost (MAC) price list that is supposed to be updated regularly however there is no way to validate that is being done and no method in place for a pharmacy to seek relief when there is belief that a MAC list is noncompliant. Pharmacies are being told that the method to determine a MAC price is confidential and cannot be disclosed.

Perhaps it may be easy under some business practices to simply elect to disagree with the terms and conditions of a managed care or PBM contract but in reality the options are to either accept or not accept a contract in its entirety. This can be devastating for pharmacy businesses in areas dominated by a single PBM.

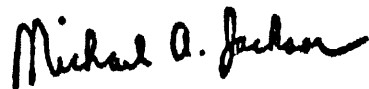
For the past several years we believe that pharmacy providers have been subsidizing the costs of prescription drug health care. It has created an unhealthy market place for consumers and to some extent, we believe that eventually it could create some access and cost issues for consumers particularly in medically underserved areas of Florida if a pharmacy continues to provide services below their costs.

Our members are working hard to provide medication management services for the patients in their communities. These pharmacies have cared for these patients for many years and have managed the health of not only those patients but their family members as well. Florida based pharmacy businesses are locally owned and operated and pay taxes and fees for the privilege of serving their communities. Taxes and fees paid by

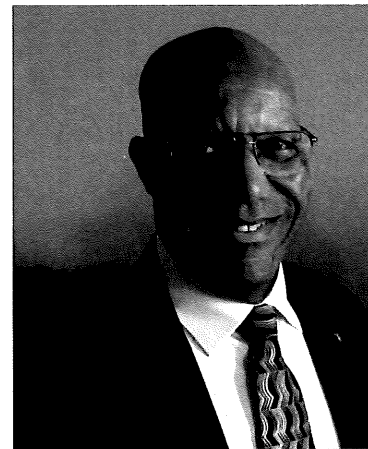
Florida based pharmacy businesses and Florida licensed pharmacy personnel are used to fund the very health care support programs used to treat the indigent and underserved. Many of these Florida based businesses are supporting their communities through sponsorship of local charities and events and are contributing to the creation of jobs and the local economy. They have a corporate footprint on Florida soil but in some cases they may be shut out of networks and banned from helping those who cannot help themselves. Pharmacies that can provide the credentials show the quality of care and are willing to accept the terms and conditions of a managed care contract should not simply be brushed off as an undesired provider of pharmacy services.

On behalf of the many thousands of pharmacy stakeholders I want to thank you for allowing us to provide these comments and I am available to answer any questions that you may have.

With kindest regards,



Michael A. Jackson, BPharm
EVP & CEO



Steven McCall, R.Ph., M.B.A.
Vice President of Network Services, CVS Caremark

Steven McCall is the Vice President of Network Services for CVS Caremark. His responsibilities include overseeing the audit and pharmacy credentialing functions.

Steve started as a pharmacy technician over 30 years ago in a small independent pharmacy in Washington State. Following graduation, he took a job as a retail pharmacist servicing patients in Central Florida. He later moved on to a closed door pharmacy in Arizona servicing LTC, Assisted Living and Hospice populations. Steve attended business school and worked as the Director of Pharmacy for a small hospital corporation with financial responsibility for four locations. He later worked for 4 years as a clinical team leader and dispensing pharmacist with a national home infusion/specialty pharmacy. Steve has been in the field of pharmacy since 1987 and licensed as a pharmacist for 24 years.

Steve has a degree in Pharmacy from Washington State University and a MBA degree with a concentration in Services Marketing and Management from Arizona State University. He is a member of the National Healthcare Anti-Fraud Association (NHCAA) and the National Association of Drug Diversion Investigators (NADDI).

Pharmacy Audits

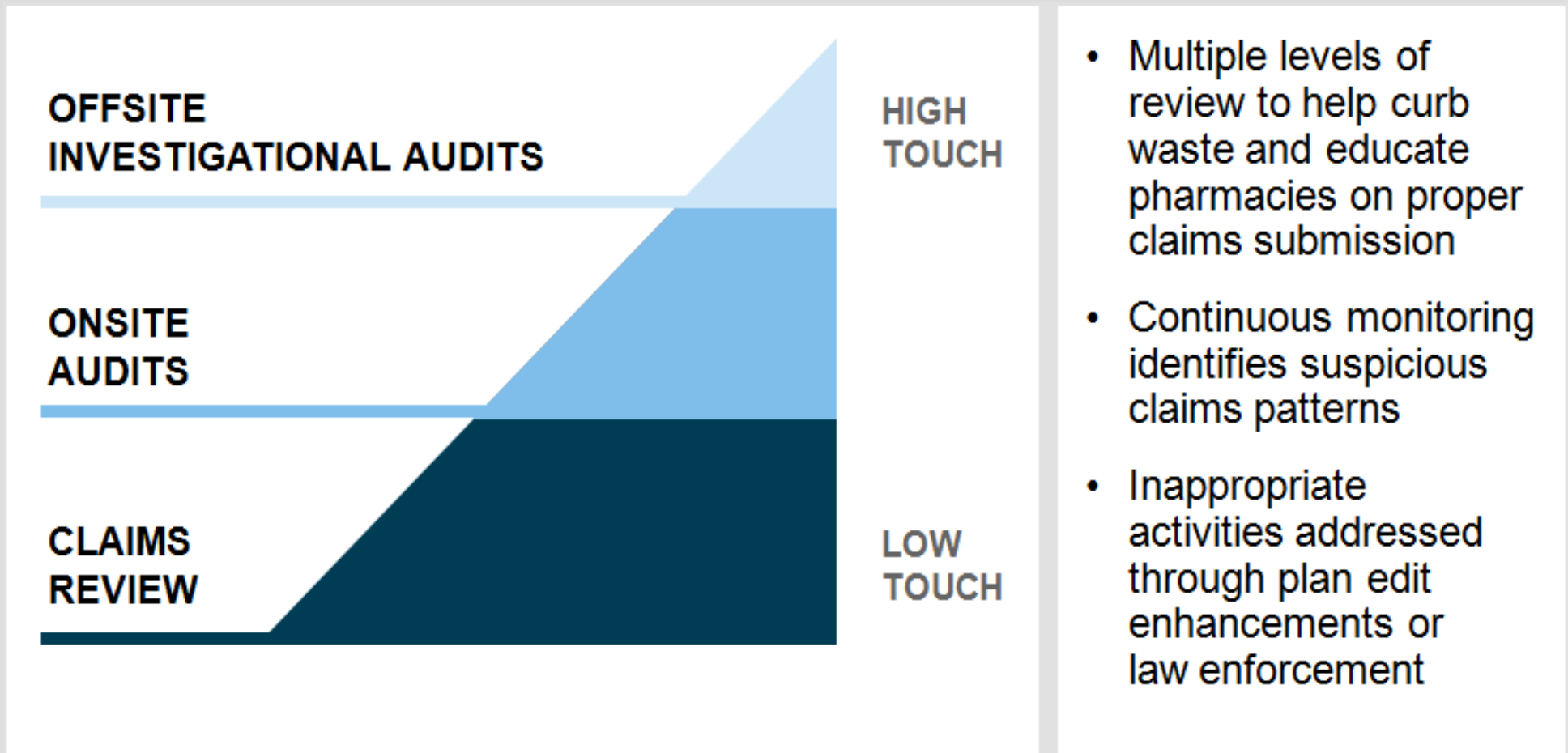
November 5, 2019

Steve McCall, R.Ph., MBA
Vice President, Network Services

CVS/caremark[™]

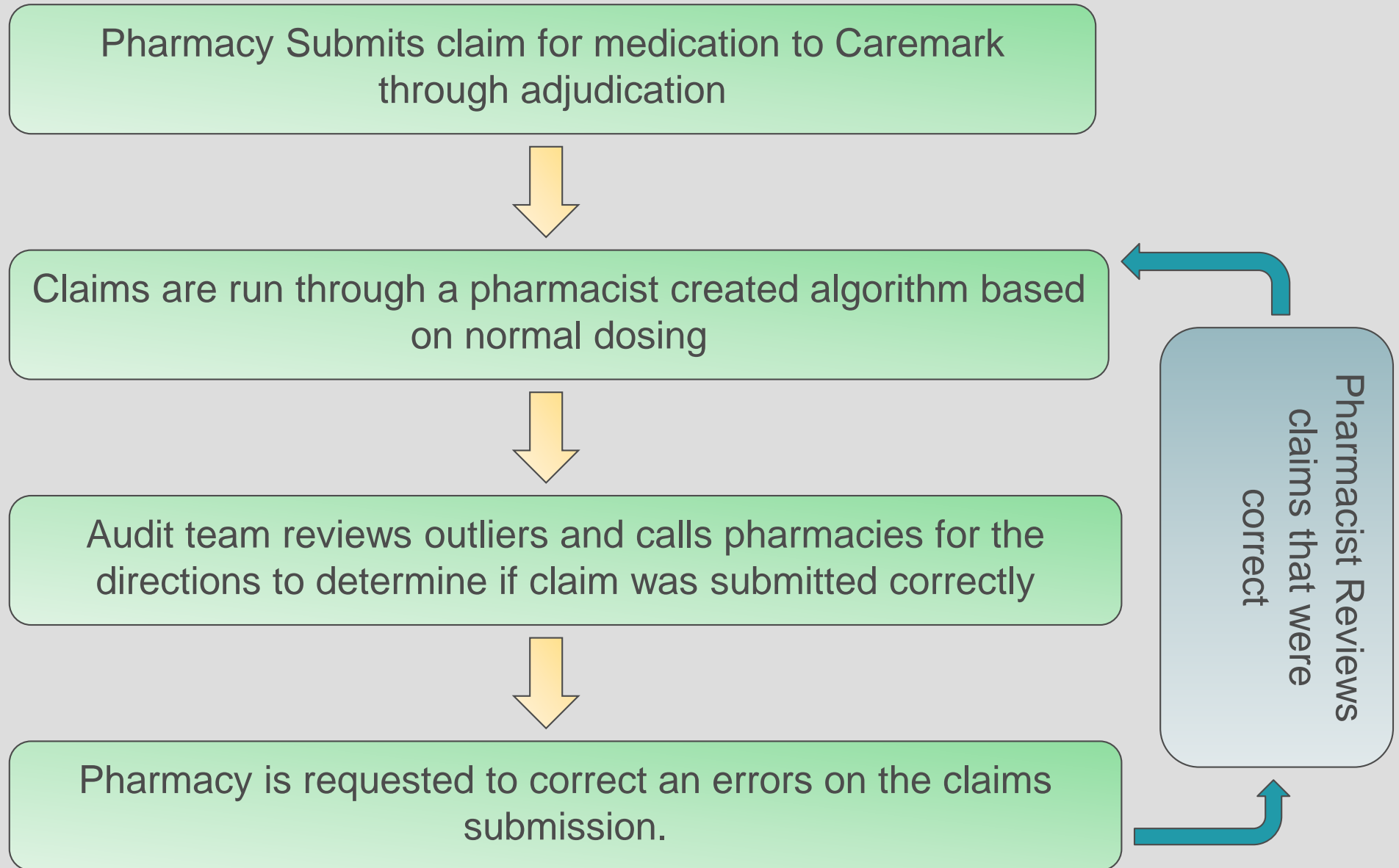


Integrated Audit Solutions to Help Mitigate Fraud, Waste and Abuse



In 2018, Pharmacy Audits Educated more than 70% of Network Pharmacies

Daily Reviews – How they work



Daily Claims Review - Benefits

- Daily Reviews are designed to validate claims submissions with minimal impact
- Designed to be invisible
 - Pharmacy has a chance to correct claims errors before they are impacted financially
 - Members are not aware that pharmacy made an error in the billing avoiding questions as to pharmacy quality and harming the pharmacist-patient relationship
 - Plan sponsors do not have to wait for financials to be corrected without an onsite audit
- Daily Reviews audits key off of red flags that could lead to an onsite or investigational audit thus reducing likelihood of further audit efforts
- Great educational opportunity for pharmacies to improve processes

Onsite Audits – How they work

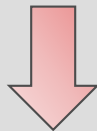
Pharmacy Submits claim for medication to Caremark through adjudication



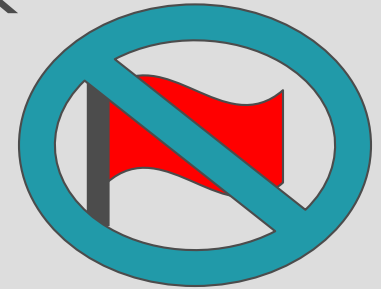
All claims are pulled for a pharmacy and compared against rules versus the pharmacy's peer group creating risk score



Onsite auditor pulls claims profile using risk score. Claims are selected for review of the submission versus the hard copy



Auditor performs an onsite visit to audit claims and educate pharmacy on proper submission techniques



Note that minimizing red flags, decreases chances of an audit

Onsite Audits

CVS Caremark plan sponsors want to insure that a sample of pharmacies are visited in person to compare hard copy prescription with the information submitted by the pharmacy.

These audits are designed to be approximately 60 - 90 minutes and not disrupt patient care. They have a large educational component so any discrepancies found can be understood to prevent re-occurrence and charge backs.

Proactive Approach to Education of Network Pharmacies

Audit Tips distributed to Pharmacies, Chains, and PSAO's to inform pharmacists of common errors seen in the marketplace and trends

Provider Manual lists medications with unusual submission and details regarding the requirements of claim submission and expectations related to audit

Education and exit interview provided at end of each onsite and investigative audit to answer all pharmacy staff questions related to accurate claims processing and review discrepancies noted in audit

Meetings with chain and PSAO affiliations to address audit findings and provide tips

Continuing Education presentations to pharmacists and technicians in network pharmacies on accurate claim transmission and audit preparation

Dr. Scott McClelland , Pharm.D., R.Ph, CHIE
Vice President, Commercial and Specialty Pharmacy, BCBS

Dr. Scott McClelland is Florida Blue's Vice President of Commercial and Specialty Pharmacy. In his role, he is responsible for leading the pharmacy unit as well as the oversight and development of the clinical and operational strategy for the traditional, specialty and medical pharmacy areas, to ensure members have access to clinically sound and affordable pharmacy benefits and programs.

Prior to joining Florida Blue in 2006, Dr. McClelland held a leadership position within the HCA Hospital System as the Manager of Pharmacy Operations. He has over 20 years of experience as a clinical pharmacist specializing in critical care hospital based medicine and pharmacy benefit management.

Throughout his career, Dr. McClelland has been active in community and professional organizations. He is a member of the Academy of Managed Care Pharmacy (AMCP); America's Health Insurance Plans (AHIP); American Society of Health-System Pharmacist (ASHP); and has served as adjunct professor to several university systems.

Dr. McClelland received his Bachelor of Science and Doctorate of Pharmacy degree from the University of Georgia. In addition, he completed an ASHP Pharmacy Practice Residency, received his Health Information Certification from the Blue Cross Blue Shield Association and was certified as a health insurance executive through America's Health Insurance Plans (AHIP) leadership program.

LuGina Mendez-Harper, PharmD, RPh
State Government Affairs Principal, Prime Therapeutics

LuGina Mendez-Harper is a State Government Affairs Principal with Prime Therapeutics. She has been a pharmacist for over 20 years and has worked in a variety of clinical, administrative, regulatory, and legislative settings. She earned her Bachelor of Science degree in Pharmacy at the University of New Mexico. She obtained her Doctor of Pharmacy degree Magna Cum Laude from the University of Kansas. She also completed a Post-Doctoral Fellowship at Rutgers University and Bristol-Myers Squibb in Pharmacy Education and Drug Information.

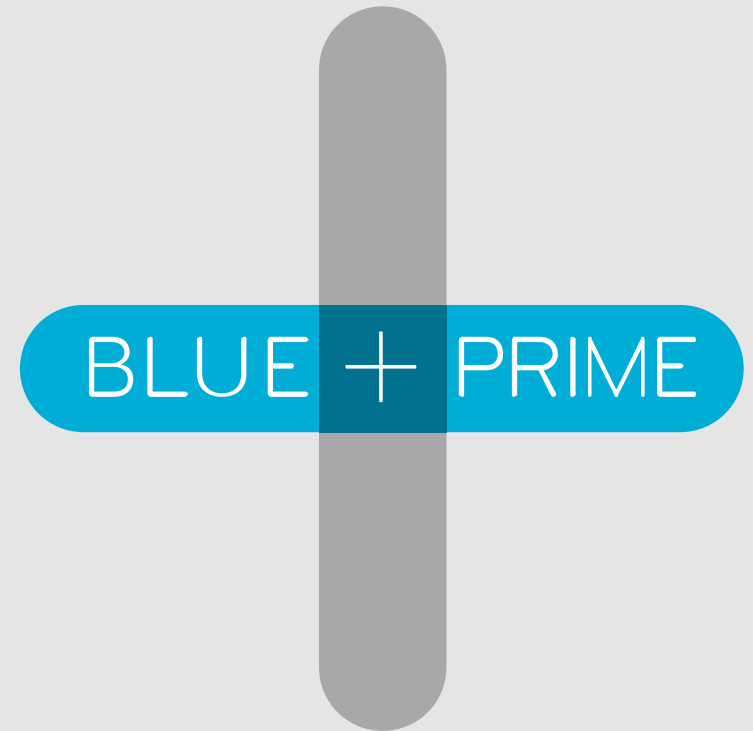
Dr. Mendez-Harper has held positions in various aspects of pharmacy including the national association of pharmacists, community pharmacy, mail service pharmacy, specialty pharmacy, Indian Health pharmacy, and managed care pharmacy. Dr. Mendez-Harper served on the New Mexico Board of Pharmacy for 6 years and serves in various district and national state board of pharmacy association leadership roles. She is currently a member of the Accreditation Council for Pharmacy Education (ACPE) Board of Directors and Board liaison to the ACPE International Commission. She was appointed to the ACPE Board of Directors as the National Association of Boards of Pharmacy. ACPE assures and advances excellence in pharmacy education both with professional pharmacy degree programs and pharmacy continuing education providers. In her current role as State Government Affairs Principal with Prime Therapeutics, Dr. Mendez-Harper covers legislative and regulatory activities impacting all areas of pharmacy in 9 states including Florida.

The Role of Pharmacy Benefit Managers in the Private Insurance Market

Florida Senate Banking and Insurance
Committee Meeting

November 5, 2019

LuGina Mendez-Harper, PharmD, RPh
Government Affairs Principal



What is a Pharmacy Benefit Manager (PBM)?

Pharmacy Benefits Manager - PBM

- A health care company that contracts with plan sponsors (insurers, self-funded employers, unions, and government programs) to administer the prescription drug portion of the health care benefit

BlueCross BlueShield

Subscriber Name:
JOHN DOE

Identification Number:
XOF123456789

Group Number: **123456** Office Copay \$20
Coverage Date: **09/01/08** Emergency Copay \$100

SINGLE RX Generic Copay \$25
 RX Brand Copay \$50/\$100

RxBIN: 011550
RxPCN: ILDR

PPO **PPO** **Rx**

Note: The RX Generic Copay and RX Brand Copay fields are highlighted with a red box in the original image.

Who do Pharmacy Benefit Managers (PBMs) Work For?



The Value of Pharmacy Benefit Managers (PBMs)



Pharmacy Benefit Manager (PBM) Core Services



Claims Processing



Formulary Management



Drug Utilization Review



Disease Management and Adherence Initiatives



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers and Pharmacies



Pharmacy Networks

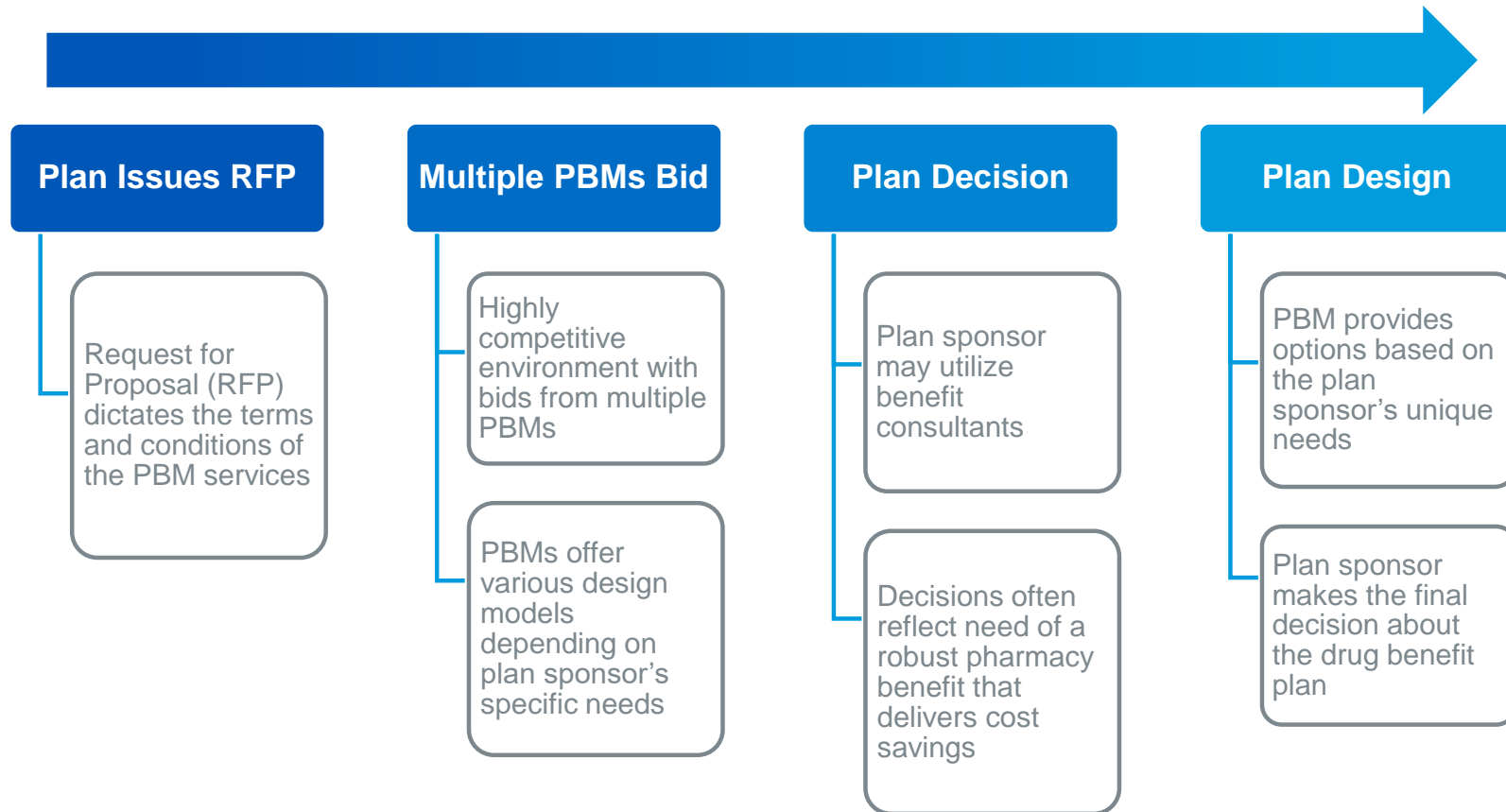


Mail-service Pharmacy

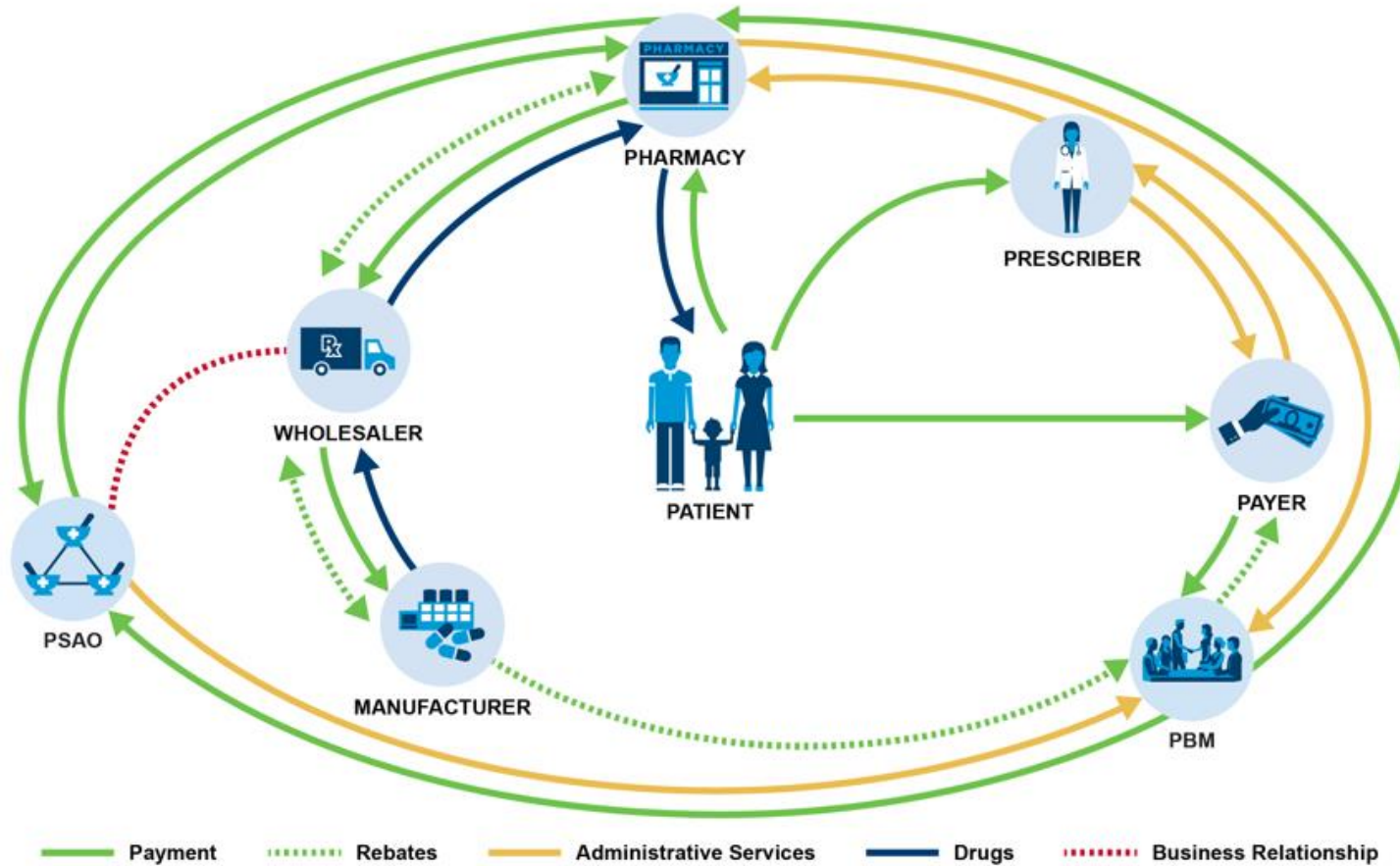


Specialty Pharmacy

The Plan Sponsor Request For Proposal (RFP) Process

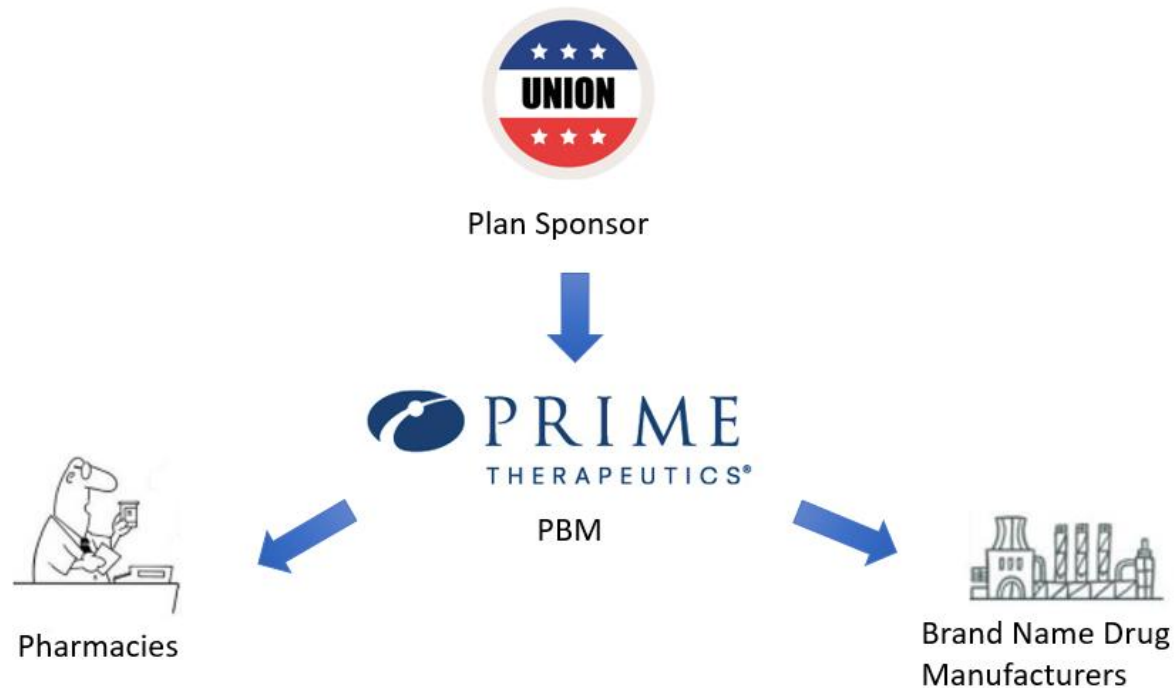


The Drug Supply Chain



Pharmacy Benefit Managers (PBMs) in the Drug Supply Chain

PBMs Generate Savings for Plan Sponsors by Negotiating Discounts with Pharmacies and Rebates from Brand Name Drug Manufacturers



Pharmacy Benefit Managers (PBMs) and Pharmacies



- **Pharmacies may contract directly with PBMs**
- **Over 80% of independent pharmacies delegate contracting with a PBM to a Pharmacy Services Administrative Organization (PSAO)**
 - PSAOs aggregate buying power of independent pharmacies to negotiate contracts with PBMs and other third-parties
 - Pharmacies may also delegate other services to PSAOs such as MAC appeals, drug purchasing, payment, and audits
- **PBMs have no insight into private contracting terms between PSAOs and pharmacies**

Drug Wholesalers Own 3 Largest PSAOs

Pharmacy Franchise and Marketing Programs, 2016

PROGRAM	Health Mart	Good Neighbor Pharmacy	Medicine Shoppe/Medicap	CARE Pharmacies	Sav-Mor Drugstores	Benzer Pharmacy
Ownership	McKesson	AmerisourceBergen	Cardinal Health	Independent	Independent	Independent
# of Participating Pharmacies	4,800	2,800	515	82	65	71
2016 Prescription Revenues (billions)	\$10.2	\$7.3	\$1.9	\$.07	\$.03	\$.02

McKesson's PSAO – HealthMart Represents More Pharmacies Than Wal-Mart

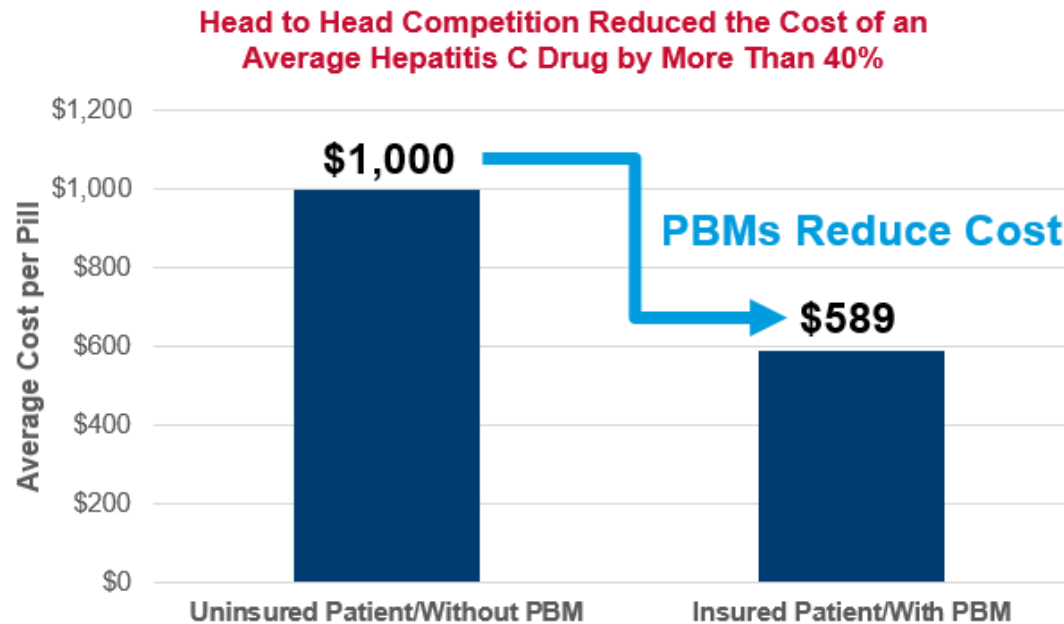
Pharmacy Benefit Managers, Manufacturers, and Plan Sponsors

- **Only if a brand name drug has clinically equivalent competitors can a PBM negotiate rebates with manufacturers in exchange for preferred formulary placement**
- **Pharmacy Benefit Managers pass rebates to the plan sponsor who uses it to lower the cost of the benefit (i.e., premiums)**
 - The plan sponsor dictates exactly how the rebate is shared
 - The plan sponsor retains full audit rights in their PBM contracts - ensuring transparency



Pharmacy Benefit Managers (PBMs) Delivering Value

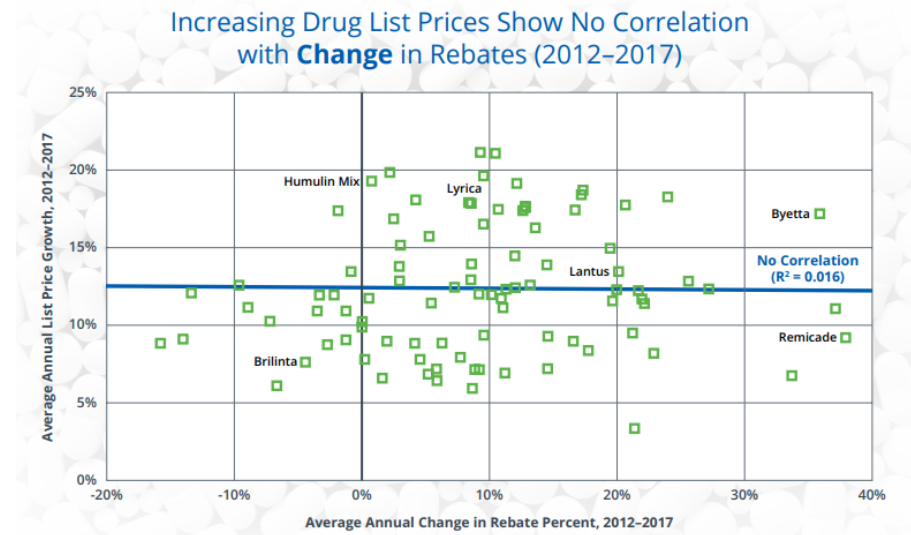
PBMs save plan sponsors and consumers an average of 35% compared to expenditures made without pharmacy benefit management



Source: Visante, prepared for PCMA. February 2016.

There Is No Correlation Between Rebates and Drug Prices

- Drug manufacturers control, set, and change the price of their drugs
- Plan sponsors and Pharmacy Benefit Managers (PBMs) have no control over the price a manufacturer sets for a drug – but PBMs have some tools to drive down drug costs
- Until other drugs are approved for the same disease/condition, manufacturers have little incentive to reduce their prices
- Analysis of top brand name drugs by total spending between 2012 and 2017 showed the list price of drugs did not correlate with rebates



Source: PCMA and Visante analysis of data from CMS and SSR Health, 2018.

The Role of Pharmacy Benefit Managers (PBM's) in the Health Care System

- **Plan sponsors are not required to use a PBM, most do because PBMs drive adherence, hold down costs, and increase quality**
 - PBMs help save plans 40-50% over unmanaged benefits¹
- **PBMs work for plan sponsors to exert downward pressure on prescription drug costs**
 - PBMs are expected to save \$654B nationally in 10 years²
- **Plan sponsors always have the final say when creating drug benefits**
 - There is no one-size-fits-all model - each plan sponsor has unique needs

1. Visante, Return on Investment on PBM Services, Nov. 2016.

2 Visante, Generating Savings for Plan Sponsors, Feb. 2016, available at: - <https://www.pcmagnet.org/wp-content/uploads/2016/08/visante-pbm-savings-feb-2016.pdf>

Thank you

LuGina Mendez-Harper, PharmD, RPh
Prime Therapeutics Government Affairs Principal
lmendezharper@primetherapeutics.com
Cellular Telephone: 505-206-1089

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

11/5/2019

Meeting Date

Bill Number (if applicable)

Topic PRESENTATIONS ON THE ROLE OF PHARMACY BENEFIT MANAGERS

Amendment Barcode (if applicable)

Name MICHAEL JACKSON

Job Title EVP & CEO

Address 610 N. ADAMS ST

Phone (850) 222-2400

Street

TALLAHASSEE

FL

32301

Email MJACKSON@PHARMVIEW.COM

City

State

Zip

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing FLORIDA PHARMACY ASSOCIATION

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/14/14)

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

November 5, 2019

Meeting Date

Bill Number (if applicable)

Topic PBM Workshop

Amendment Barcode (if applicable)

Name Barney Bishop III

Job Title Chief Executive Office - Barney Bishop Consulting

Address 2215 Thomasville Road

Phone 850.510.9922

Street

Tallahassee

FL

32308

City

State

Zip

Email Barney@BarneyBishop.com

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing SPAR - Small Business Pharmacies Aligned for Reform

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

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THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

10-5-19
Meeting Date

Bill Number (if applicable)

Topic PBM

Amendment Barcode (if applicable)

Name Scott McClelland

Job Title VP Pharmacy Programs Florida Blue

Address 4500 Deerwood Campus

Phone 904-905-1133

Jacksonville FL 32224
City State Zip

Email Scott.McClelland@bebsfl.com

Speaking: For Against Information Panel

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing Florida Blue

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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THE FLORIDA SENATE
APPEARANCE RECORD

Nov. 5, 2019

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

Meeting Date

Bill Number (if applicable)

Topic PBM Workshop

Name Tom Browne

Amendment Barcode (if applicable)

Job Title Senior Director

Address 235 E 42nd St

Phone 617-956-9983

New York NY 10017

Email thomas.browne@pfizer.com

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing Pfizer

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

11/5/19

Meeting Date

Bill Number (if applicable)

Topic PHARMACY BENEFIT MANAGERS

Amendment Barcode (if applicable)

Name TRICIA FITZSIMMONS

Job Title Director, Public Policy

Address One Health Plaza
Street

Phone 609-955-2909

East Hanover NT 07920
City State Zip

Email tricia.fitzsimmons@novartis.com

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing NOVARTIS

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

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THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

11-6-19

Meeting Date

Bill Number (if applicable)

Topic Presentation on the Role of Pharmacy Benefit Managers in the Private

Amendment Barcode (if applicable)

Name Shane Abbott Insurance Market

Job Title Pharmacist / Pharmacy Co-owner

Address 1337 US Hwy 90 West

Phone 850 - 892 - 6898

Defuniak Springs, FL 32433

Email Prescriptionplace@yahoo.com

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing _____

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

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THE FLORIDA SENATE

APPEARANCE RECORD

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11/5/19

Meeting Date

Bill Number (if applicable)

Topic Role of PBM in Insurance

Amendment Barcode (if applicable)

Name Jacqueline Jacobi

Job Title Regional Director of Pharmacy for Molina Healthcare

Address 1550 Otisco Valley Rd

Phone 607-745-6497

Street

Marietta

Ga

3110

City

State

Zip

Email jjacobi6913@twc.com

Speaking: For Against Information

Waive Speaking: In Support Against (The Chair will read this information into the record.)

Representing Molina Healthcare

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

11/5/19

Meeting Date

Bill Number (if applicable)

Topic

Amendment Barcode (if applicable)

Name Steve McCall, R-Ph

Job Title VP, Network Services

Address 9501 E Shea Blvd

Phone 480-614-7326

Street

Scottsdale AZ 85213

Email

City

State

Zip

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing CVS Health

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

11-5-2019 Meeting Date

Bill Number (if applicable)

Topic Prescription Drug Panel

Amendment Barcode (if applicable)

Name LuGina Mendez Harper

Job Title Govt Affairs Principal

Address Street

Phone 505-206-1089

City State Zip

Email LMendezHarper@PrimesPharmaceuticals.com

Speaking: For Against Information

Waive Speaking: In Support Against (The Chair will read this information into the record.)

Representing

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

CourtSmart Tag Report

Room: KN 412

Case No.:

Type:
Judge:

Caption: Senate Banking and Insurance Committee

Started: 11/5/2019 2:03:23 PM

Ends: 11/5/2019 3:59:13 PM

Length: 01:55:51

2:03:22 PM Meeting called to order. Roll call
2:03:33 PM Quorum is present
2:03:52 PM Chair Broxson intro and recognizes Senator Rousson
2:04:25 PM Senator Rousson explains the purpose of the panel and discussion today
2:07:03 PM Senator Rousson introduces the order
2:08:04 PM Chair Broxson gives direction on question and answer time
2:08:38 PM Shane Abbot Pharmacist/ Pharmacy co-Owner of Defuniak Springs presents
2:18:46 PM Chair Broxson with question to Mr. Abbott
2:19:13 PM Mr. Abbott answers
2:20:31 PM Chair Broxson moves on to next speaker
2:20:50 PM LuGina Mendez Harper, Government Affairs Principal
2:21:46 PM Ms. Mendez Harper presents
2:29:23 PM Member questions
2:29:36 PM Senator Rousson with question for LuGina Mendez Harper
2:30:01 PM Ms. Harper responds
2:30:20 PM Chair Broxson calls on Steve McCall R. Ph. VP Network Services of Scottsdale AZ for CVS He
2:31:47 PM Steve McCall presents information
2:36:20 PM Chair Broxson with comment about presentation
2:37:36 PM Mr. McCall responds
2:37:45 PM Chair - with question
2:37:52 PM Mr. Steve McCall
2:37:59 PM Mr. Steve McCall
2:37:59 PM Mr. Steve McCall
2:38:06 PM Chair responds
2:38:14 PM Steve McCall
2:38:24 PM Senator Gruters with question on audits
2:38:36 PM Steve McCall responds
2:39:17 PM Senator Thurston with question on audit
2:39:44 PM Senator Thurston
2:40:18 PM Steve McCall answers
2:40:25 PM Chair Broxson moves to next speaker Tom Brownlie
2:40:59 PM Tom Brownlie Senior Director of Pfizer from New York NY
2:42:18 PM Chair Broxson with question on price
2:43:20 PM Mr. Brownlie with answer
2:46:47 PM Chair Broxson with comments
2:48:07 PM Senator Thurston with question
2:48:15 PM Tom Brownlie responds
2:49:28 PM Chair Broxson moves on to Jaqueline Jacobi
2:49:49 PM Jacqueline Jacobi Regional Director of Pharmacy for Molena Healthcare of Marietta NY
2:52:22 PM Chair Broxson
2:53:31 PM Next speaker is Tricia Fitzsimmons Director Public Policy of Novartis from East Hanover NT
2:54:33 PM Tricia Fitzsimmons presents
2:55:40 PM Chair Broxson
2:56:43 PM Tricia Fitzsimmons answers question
2:57:16 PM Chair Broxson
2:58:50 PM Tricia Fitzsimmons
2:58:58 PM Senator Rousson with question
2:59:25 PM Tricia Fitzsimmons responds
2:59:42 PM Senator Thurston with question about list price
2:59:55 PM Tricia answers
3:00:13 PM Senator Thurston question about PBM
3:00:29 PM Tricia Fitzsimmons responds

3:00:57 PM Chair Broxson moves on to Scott McClelland VP Pharmacy Programs Florida Blue Jacksonville FL
3:01:55 PM Scott McClelland Vice President Pharmacy Programs Florida Blue of Jacksonville FL
3:05:03 PM Chair Broxson with question on PBM discounts
3:06:04 PM Scott McClelland answers
3:06:13 PM Chair Broxson
3:06:15 PM Scott McClelland
3:06:54 PM Senator Rousson
3:07:15 PM Michael Jackson is next speaker
3:07:43 PM Michael Jackson Executive Vice President & CEO Florida Pharmacy Association
3:11:41 PM Chair Broxson with question
3:12:46 PM Michael Jackson responds
3:12:59 PM Chair Broxson on secrecy
3:13:11 PM Michael Jackson responds
3:15:03 PM Chair Broxson opens for comments
3:16:11 PM Senator Thurston for Mr. Jackson on DIR fee
3:16:30 PM Mr. Jackson responds
3:18:16 PM Chair Broxson
3:19:17 PM Senator Thurston follow up question
3:19:33 PM Chair Broxson
3:19:36 PM Michael Jackson responds
3:20:52 PM Chair Broxson questions Senator Lee
3:21:12 PM Senator Lee with answer
3:23:48 PM Chair Broxson follow up question to Tricia Fitzsimmons
3:24:50 PM Tricia Fitzsimmons responds
3:25:15 PM Chair Broxson follow up to Tricia Fitzsimmons
3:25:51 PM Tricia Fitzsimmons with suggestion
3:26:44 PM Chair Broxson recognizes Senator Thurston
3:27:00 PM Senator Thurston with question on manufacture standpoint
3:27:40 PM Tricia Fitzsimmons responds
3:29:33 PM Senator Taddeo with question
3:30:13 PM Tom Brownlie responds
3:32:02 PM Mr. Abbott to comment on discussion
3:33:49 PM Steve McCall comments on the same issue
3:35:20 PM Chair Broxson with comment on the issue
3:35:34 PM Mr. McCall comments
3:35:45 PM Chair Broxson
3:36:35 PM Senator Gruters with question
3:37:05 PM LuGina Mendez Harper answers the question on rebates and PBMs
3:37:58 PM Chair Broxson with comment
3:39:21 PM LuGina Mendez Harper responds
3:39:54 PM Chair Broxson follow up
3:40:08 PM LuGina Mendez Harper responds
3:41:28 PM Chair Broxson
3:41:37 PM Jacqueline Jacobi
3:42:04 PM Chair Broxson to Ms. Fitzsimmons -about rebates
3:42:36 PM Ms. Fitzsimmons responds on negotiation
3:44:24 PM Senator Gruters with follow up question
3:44:39 PM Tricia Fitzsimmons
3:45:07 PM Senator Lee is recognized
3:46:49 PM Jaqueline Jacobi - responds to Senator Lee question
3:49:22 PM Tom Brownlie responds on same question
3:50:59 PM Chair Broxson with question
3:51:26 PM Tricia Fitzsimmons to answer on value and delivery
3:53:02 PM Chair Broxson
3:53:10 PM Question on insulin cost
3:53:25 PM Tom Brownlie responds
3:54:53 PM Chair Broxson opens for members to question
3:55:10 PM Senator Lee with question
3:56:04 PM Shane Abbott answers
3:56:42 PM Senator Lee
3:56:49 PM Shane Abbott
3:57:27 PM Senator Lee

3:57:31 PM Steve McCall
3:58:01 PM Chair Broxson wraps up
3:58:30 PM Senator Perry moves we adjourn.
3:58:55 PM The meeting is adjourned