PCMA
PHARMACEUTICAL CARE MANAGEMENT ASSOCIATION

April 10, 2014

The Honorable Sarah Copeland-Hanzas
Vice Chair, House Committee on Health Care
Vermont State House
Montpelier, VT 05633

Re: Opposition to S.252 – "Copeland-Hanzas PBM amendments"

Dear Vice Chair Copeland-Hanzas:

The Pharmaceutical Care Management Association (PCMA) is submitting the following letter of opposition regarding the prompt pay amendment to S.B. 252. PCMA is the national association representing America's pharmacy benefit managers (PBMs), which administer prescription drug plans for more than 215 million Americans with health coverage provided through Fortune 500 employers, health insurance plans, labor unions, and Medicare Part D.

We are extremely concerned with the proposed lower fourteen (14) day standard for the prompt payment of pharmacy claims that PBMs make on behalf of their clients, thus singling out PBMs and their clients for differential treatment among all entities involved in the health care sector in Vermont. Such a move will: 1) create a prompt pay standard in Vermont that is significantly lower than the national norm; 2) impact the existing contractual and financial relationships between PBMs, pharmacies and the health plans and employers that pay for the pharmacy benefit; 3) raise the costs of providing a prescription benefit; and 4) potentially alter the competitive landscape for pharmacy benefit management services in Vermont.

The proposed fourteen (14) day standard is not the national norm for the prompt payment of pharmacy or any other healthcare claims. Vermont's current 30-day standard is in line with the majority of the states in the country. Forty states and the District of Columbia require the payment of electronic claims between thirty (30) to sixty (60) days. Thirty days is also the standard for physician and hospital claims in Medicare Parts A & B, and the Federal Employees Health Benefits Plan (FEHBP).

It is important to make clear how one facet of the commercial pharmacy benefit market the proposed prompt payment standard would impact actually operates. One misunderstanding is that PBMs collect monies upfront and are essentially sitting on that money throughout the entire claims process time period instead of paying pharmacy claims. That simply is inaccurate and confuses PBMs with insurers. Insurers collect upfront premiums that pay for claims; PBMs do not. PBMs have a cycle in which they batch and pay pharmacies for the prescriptions pharmacies have filled. PBMs also have a concurrent cycle in which they batch and bill their clients for the claims they have processed and for which they must pay the pharmacies that have dispensed prescriptions. These parallel but separate and distinct processes are carried out according to the terms and timelines that are established in the respective contracts that PBMs have with pharmacies and their clients.

Payment terms in Vermont's pharmacy benefit sector have been negotiated within the context of the existing legal standard that sets the minimum number of days in which claims must be paid. To require PBMs to pay pharmacy claims in less time their current contracts stipulate will change the terms, underlying assumptions, and economic outcomes of the contracts PBMs have negotiated with pharmacies. It also will change the underlying assumptions and economic outcomes of the contracts PBMs have negotiated with their clients.

Altering the payment terms of the pharmacy benefit marketplace would not negatively impact PBMs alone. PBMs process literally millions of claims and payments to more than 50,000 pharmacies around the country. PBMs and other pharmacy payers typically batch these payments to pharmacies on a bi-monthly cycle, thus creating greater efficiencies and cost savings which result in lower costs to clients and beneficiaries. PBMs also use the time frames within those cycles to attempt to detect and prevent fraudulent drug claims, which impacts drug costs as well.

Moving to a fourteen (14) day standard in Vermont will increase administrative costs by forcing PBMs to create special, more frequent payment cycles for Vermont pharmacies. It may hinder PBMs efforts to monitor for fraud. It also likely will require PBMs to renegotiate contracted payment terms with their clients, for certain economic assumptions, values, and efficiencies that informed those original negotiations will have been changed. So what will be a “win” for some Vermont pharmacies will be a “loss” for PBMs, their clients, and ultimately those Vermont consumers who receive their drug benefit through the clients – and the ultimate payers – serviced by PBMs.

For the above reasons, we urge you not to adopt this amendment.

Thank you for your consideration.

Sincerely,

Barbara A. Levy

Barbara A. Levy
Vice President and General Counsel