

**Written Testimony Regarding Senate Bill 139**

**Submitted by:**

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**To:**

**Members of the House Committee on Health Care**

**April 15, 2015**

Dear Chairman Lippert and Members of the Committee:

CVS Health is pleased to provide testimony on S. 139 (bill sections 1 and 2). Although we generally oppose legislative or regulatory measures, like S. 139, that limit, restrict, or interfere with our ability to contain costs for our clients, we appreciate the opportunity to address some of our concerns and welcome the suggested revisions to the bill's language.

CVS Health provides multiple points of care to patients through our retail, mail, and specialty pharmacies and MinuteClinics. As one of the country's top pharmacy benefits managers ("PBM"), we also provide access to a network of more than 65,000 pharmacies, including over 7,600 CVS pharmacies, to a broad range of private and public health plan purchasers. ***We operate 6 retail pharmacies and employ over 130 Vermonters. In addition, we are the PBM for MVP Health Care as of January 1, 2015.***

As you may know, plan sponsors hire PBMs to manage pharmacy benefits on their behalf. PBMs make prescription drugs more affordable for clients with tools including:

- **Plan Design Advice:** PBMs advise their clients on ways to structure their drug benefits in an innovative and cost-effective manner to ensure appropriate use of resources. A PBM's role is advisory only; the decision to select the features of the benefit rests with each client.
- **Network Management:** PBMs negotiate with thousands of pharmacies to create provider networks through which beneficiaries may obtain prescription drugs. In addition, PBMs monitor safety issues, and ensure appropriate spending through audits and other checks and balances that promote network integrity.
- **Formulary Management:** PBMs use panels of independent physicians, pharmacists, and other experts to develop lists of drugs approved for reimbursement by each client, as well as administer cost-sharing and utilization management (e.g., step therapy) as directed by the client.
- **Mail-Service Pharmacy:** PBMs provide highly efficient mail-service pharmacies that offer safe, cost-effective and convenient home delivery of medications for those clients that choose a mail service option.
- **Manufacturer Rebates and Discounts:** PBMs negotiate substantial discounts from drug manufacturers to lower costs for sponsors and beneficiaries.



It is important to note that in many of these areas - plan design, network configuration, formulary, use of mail service, etc. - the client retains the final decision-making authority, not the PBM.

### **Maximum Allowable Cost (MAC)**

MAC (Maximum Allowable Cost) is a common cost management tool used by private employer prescription drug plans as well as state Medicaid programs<sup>1</sup>. MAC is the payment for the unit ingredient costs for off-patent drugs (generics) developed by a PBM or an insurance plan.

A MAC list creates a standard reimbursement amount for identical products, and is a common cost management tool developed from a proprietary survey of wholesale prices existing in the marketplace. MAC lists take into account market share, existing inventory, expected inventories, reasonable profits margins, and other factors. Restricting the use of MACs and mandating specific methods and timeframes for appeals and payment adjustment is likely to result in administrative complexity and higher costs.

As a health innovations company, CVS Health is committed to helping people on their path to better health. We appreciate the opportunity to provide testimony regarding S. 139 and the willingness of the committee and other interested parties to consider our concerns.

Please feel free to contact me if I can be a resource in any way. Thank you for your consideration.

Sincerely,

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<sup>1</sup> MAC pricing is used by 74% of private employer prescription drug plans, as well as 45 state Medicaid programs, for retail generic prescriptions. States adopted MAC lists after government audits showed that Medicaid reimbursements for generic drugs far exceeded a pharmacy's acquisition costs.