



PHARMACEUTICAL CARE MANAGEMENT ASSOCIATION

Mark Merritt  
President & CEO

August 31, 2011

The Honorable Patty Murray  
Co-Chairman  
Joint Select Committee on Deficit Reduction  
United States Congress  
448 Russell Senate Office Building  
Washington, DC 20510

The Honorable Jeb Hensarling  
Co-Chairman  
Joint Select Committee on Deficit Reduction  
United States Congress  
129 Cannon House Office Building  
Washington, DC 20515

Dear Co-Chairmen Murray and Hensarling:

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 (described below) that could save the federal government more than \$100 billion dollars over ten years in prescription drug costs.

As you know, 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 Medicare Trustees, Part D costs came in \$53 billion dollars under Congressional Budget Office (CBO) projections in 2010, or 47 percent less than expected. In addition, the average beneficiary premium is roughly 30 percent lower than projected.

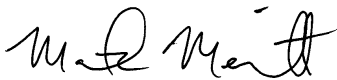
Using innovative cost-saving tools and technologies, PBMs have worked closely with payers in designing drug benefits that lower costs and expand access to prescription drugs. These tools – including pharmacy networks, home delivery, utilization management (such as step therapy and prior authorization), 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 and pays drugstores more than double the dispensing fees that Medicare or private insurers pay.
- **Maximize Generic and Therapeutic Substitution in Part D.** Fully realize the potential savings available as outlined by CBO to increase generic and therapeutic interchange opportunities in Part D by shifting spending from the most expensive single source drugs to equally effective lower cost options.

- **Expedite the Approval of Biogenics.** 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 biogenics as quickly as possible.
- **Allow Part D Plans to Negotiate Greater Discounts on All Drugs.** Increase price competition among brand drug manufacturers by removing the mandate that “all or substantially all” drugs in six protected classes be covered. Manufacturers with a guarantee that their drug is covered have no incentive to offer a discount to Part D plans or beneficiaries.
- **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 and the costs of this advertising are tax deductible. While the First Amendment allows for such advertising, it does not require tax payers to subsidize promoting the most expensive drug treatments.
- **Encourage Chronic Care Pharmacy and Home Delivery.** Currently, due to restrictions in Medicare Part D, beneficiaries in private-sector retiree plans use home delivery four times more often than those in Part D plans. 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 hospital and physician costs.
- **Ban Pay-for-Delay Drug Settlements.** Currently, brand drug companies are making deals with generics to delay offering a competing generic, allowing the more expensive brand drug to stay on the market for a longer period of time, resulting in higher costs. Prohibiting pay-for-delay agreements would facilitate quicker access to lower-cost generics.

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

Cc: Members of the Joint Select Committee on Deficit Reduction