OSPA
OREGON STATE PHARMACY ASSOCIATION

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Dear Members of the Oregon Prescription Drug Affordability Board,

The Oregon State Pharmacy Association (OSPA) appreciates the diligent work the Oregon Prescription Drug Affordability Board (PDAB) has undertaken and continues to pursue in bringing much-needed transparency and fostering crucial discussions regarding the complexities of the prescription drug delivery system in Oregon and across the nation.

We have been particularly thoughtful about the comments raised during last month's meeting that were critical of the various PDAB boards across the country. While we firmly believe in the value of Oregon's efforts, these comments have prompted us to strongly consider how your work might be significantly augmented by learning from the tangible experiences and impactful actions taken by other states that appear to be far more advanced in achieving real cost savings for their residents and taxpayers.

OSPA believes that the PDAB's core mission to inform and advise the Oregon Legislature on strategies to improve prescription drug affordability requires proactive consideration of concrete, real-world solutions that have demonstrably yielded savings in other states. **We strongly urge the Board to prioritize the elimination of spread pricing by PBMs in Oregon.** This practice, where PBMs charge payers (insurers, employers) more for a drug than they reimburse the pharmacy and retain the difference, lacks transparency and contributes significantly to inflated drug costs, impacting both patients and taxpayers.

Eliminating spread pricing offers a more immediate and comprehensive solution to address prescription drug affordability across *all* medications, rather than focusing on a limited selection of drugs.

Spread pricing by PBMs directly increases drug costs for patients in several ways:

- **Higher Co-pays and Coinsurance:** When PBMs charge health plans more than they pay pharmacies, these inflated costs are often passed on to patients through higher co-pays and coinsurance. Patients pay a percentage of a higher price, leading to increased out-of-pocket expenses.
- **Increased Premiums:** The inflated costs that health plans incur due to spread pricing can also lead to higher premiums for patients. Employers and individuals pay more for their health insurance coverage, driven in part by the hidden profits PBMs extract through spread pricing.
- **Reduced Access to Affordable Medications:** Spread pricing can incentivize PBMs to favor higher-priced drugs, as larger spreads often mean greater profits. This can limit patient access to more affordable, equally effective medications, forcing them to pay more for the drugs that are covered.

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- **Financial Burden and Non-Adherence:** The increased out-of-pocket costs resulting from spread pricing can create a significant financial burden for patients, particularly those with chronic conditions who require ongoing medication. This financial strain can lead to non-adherence, where patients skip doses or avoid filling prescriptions, potentially resulting in adverse health outcomes and higher overall healthcare costs.

Eliminating spread pricing and transitioning to transparent, cost-based reimbursement models have proven effective in other states:

- **Ohio Medicaid** implemented a program that eliminated PBMs, increased pharmacy dispensing fees, and **saved $140 million in the first two years**.
- **New York** estimates that **eliminating spread pricing for Medicaid managed care organizations will save taxpayers more than $43 million**.
- Several states, including **Arkansas, Kentucky, Louisiana, Maryland, New Hampshire, New York, Pennsylvania, and Virginia**, have implemented **pass-through pricing models** for their Medicaid managed care programs to control costs.
- States like **Missouri, Tennessee, West Virginia, and Wisconsin** have **carved out pharmacy benefits from managed care**, contracting directly with PBMs or acting as their own PBM, leading to significant savings. For example, **West Virginia saved over $54.4 million** in one year by doing this.
- **Kentucky** has contracted with a **single PBM** for their Medicaid managed care prescription drug benefits, giving the state greater authority to oversee the administration of those benefits and leading to substantial cost savings. **Kentucky saved nearly $283 million** using this approach.

These examples demonstrate that transparent, cost-based reimbursement models and single PBM systems can save money for employers, insurers, and taxpayers while improving affordability and access for patients. By examining the successes and approaches of other states in tackling this issue, the PDAB can develop informed and impactful recommendations for the Oregon Legislature, moving beyond theoretical discussions to tangible actions that will benefit Oregonians.

Thank you for your time and consideration of this important matter. We look forward to the Board's response and continued collaboration.

Sincerely,

Brian Mayo
Executive Director