



July 13, 2018

Assem. Kevin Cahill  
Chair, Health, Long-Term Care & Health Retirement Issues Committee  
National Council of Insurance Legislators

**Re: NCOIL's "Pharmacy Benefits Manager Licensure and Regulation Model Act"**

Dear Chair Cahill,

Northeast Pharmacy Service Corporation is writing today to voice our strong support for the National Council of Insurance Legislators' "Pharmacy Benefits Manager Licensure and Regulation Model Act," which would provide greater oversight of the massive, largely unregulated PBM industry.

Community pharmacists have long been concerned with pharmacy benefit managers (PBMs) operating as largely unregulated middlemen in the drug supply chain. While PBMs claim to keep drug costs low, we believe PBM practices are anti-competitive and ultimately drive up healthcare costs for consumers and plan sponsors while reducing payments to pharmacies. PBMs determine which pharmacies patients may choose by creating provider networks, determine which drugs patients can be prescribed by creating drug formularies, and determine how much patients pay at the pharmacy counter for their medications. Despite their authority over patients' health care options, PBMs enjoy little regulatory oversight by the state. The model act will protect patients by establishing common sense licensure requirements and regulatory authority over PBMs.

This model act is particularly important given NCOIL members' expertise in insurance legislation. In some states that have passed PBM legislation, the state insurance commissioners have difficulty enforcing the regulations. For example, in a workgroup report, the Maryland Insurance Administration was unable to determine that the state's PBM regulations were working as intended. One cause is that "independent pharmacists do not file complaints [with the Insurance Administration] because they are then retaliated against by the PBMs through audits and increased scrutiny."<sup>1</sup> Members of NCOIL are uniquely qualified to craft legislation giving insurance commissioners the tools to enforce these beneficial regulations.

The model act's provisions will add reasonable regulations on an industry that has contributed to increasing drug costs and will allow community pharmacists to better serve their patients. As concerned stakeholders, we offer our continued support of your efforts to develop this model act.

Thank you,

David G. Benoit, MHP, RPh  
Vice President, Patient Care Services

<sup>1</sup> Maryland Insurance Administration. "Maryland Insurance Administration Pharmaceutical Services Workgroup Report" 13 (Jan. 21, 2018)