

A PRESCRIPTION FOR THE DRUG PRICE EPIDEMIC

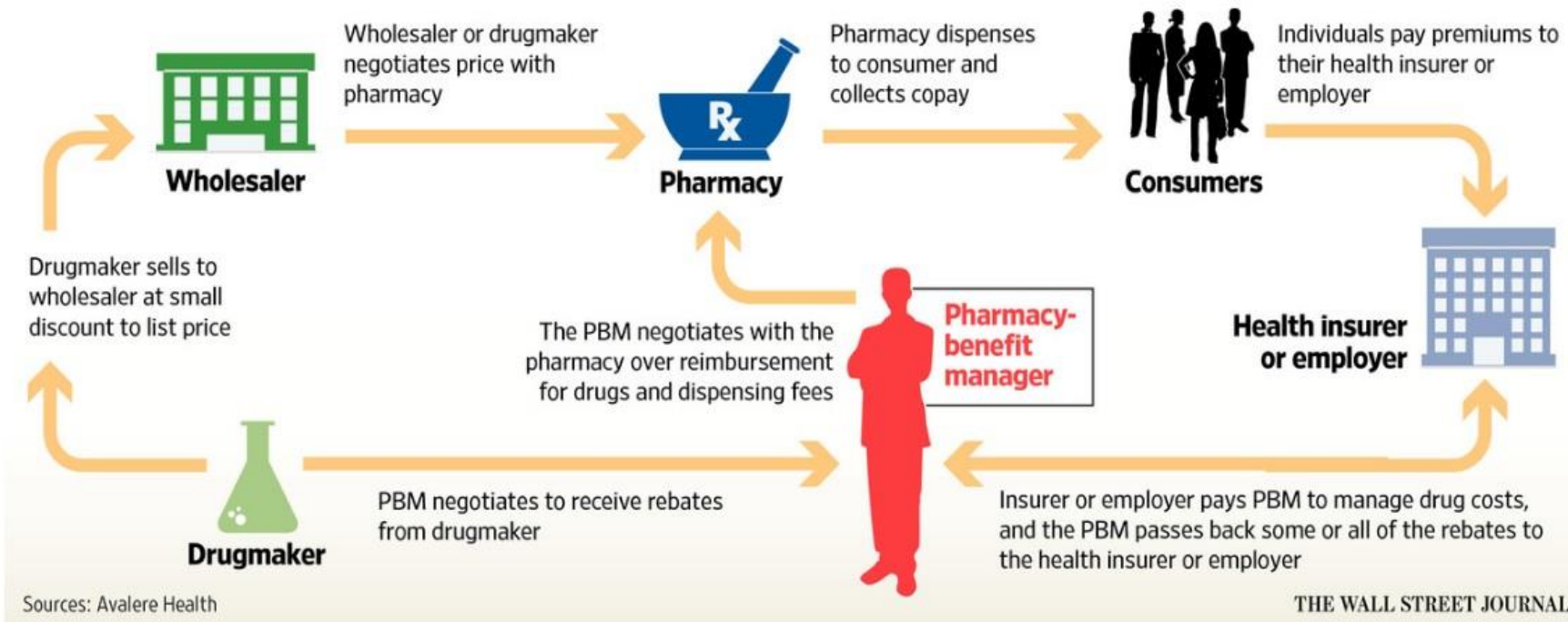
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Pharmacy Supply Chain

How Drug Distribution Works

A complex supply chain determines how prescription drugs are paid for in the U.S.



PBM Regulation Roadblocks



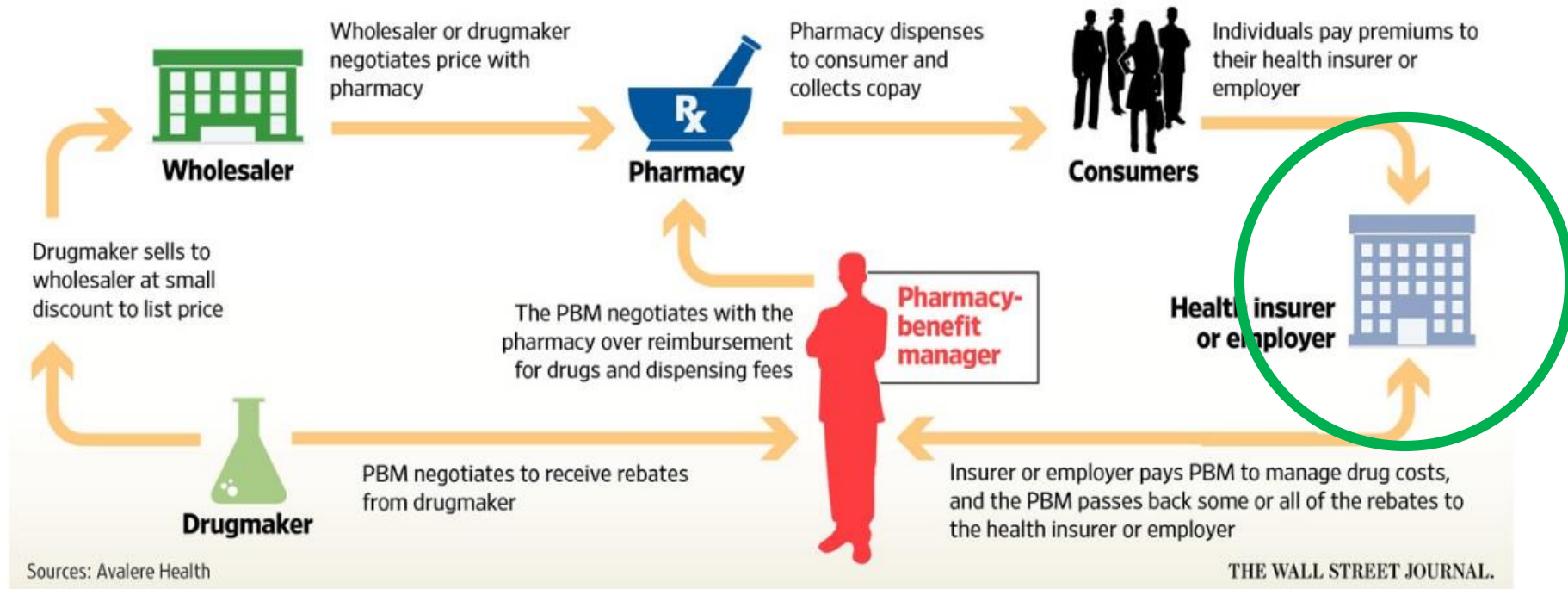
**ERISA
PREEMPTION**

- Gobielle v. Liberty Mutual, 2016
 - *Section 514(a) of ERISA broadly preempts “any and all State laws insofar as they may now or hereafter relate to any employee benefit plan.”*
- PCMA v. Gerhart, 2017
 - *8th Circuit Court of Appeals concluded Iowa law regulating PBMs was preempted by ERISA.*
- PCMA v. Rutledge, 2018
 - *8th Circuit Court of Appeals concluded Arkansas law intended to regulate PBMs was preempted by ERISA and Medicare Part D.*

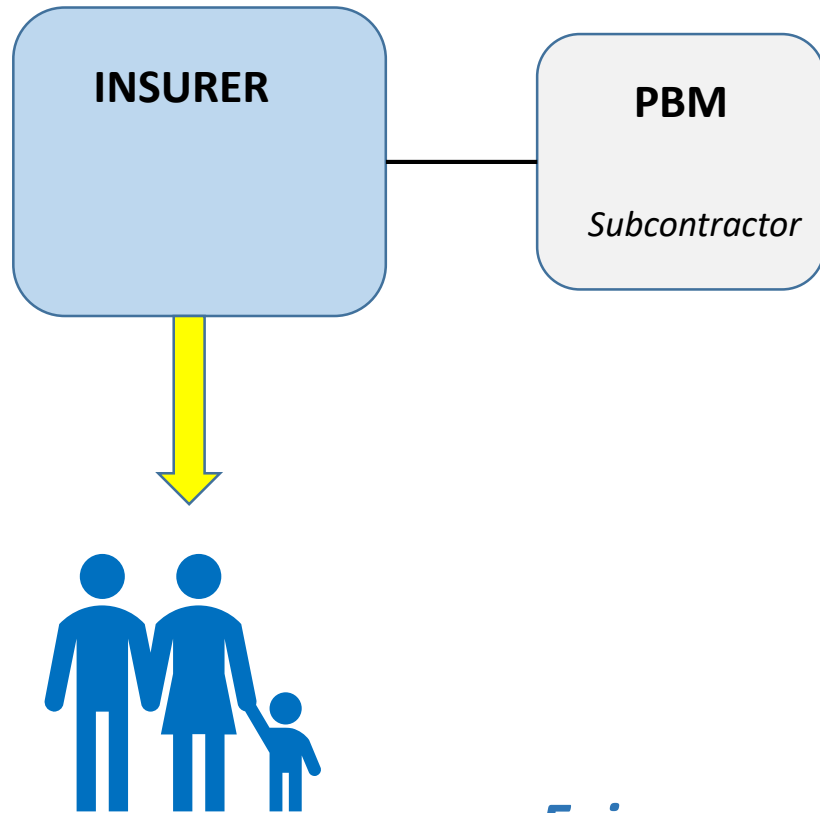
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2019 Proposed Legislation



Best Practices for Administering Pharmacy Benefit:

- Applies to health insurance issuers in the individual market
- Prohibits Spread Pricing
- Insurer receives all Compensation (Rebates)
- Insurer uses savings to lower premiums
- Insurer prohibited from “requiring” Mail Order Pharmacy
- Insurer owns Data and has Audit Access
- Eliminates Conflicts of Interest with formulary design
- Includes Pricing Transparency for Generic and Brand Drugs
- Holds insurer accountable to regulator
- Penalties for Non-Compliance

Fairness and Transparency

EXHIBIT A

State of Montana Employee Group Benefit Plan implemented Transparent, Pass-Through Pharmacy Benefit in January 2017:

- Directly contracted with PBM
- Eliminated Spread Pricing
- Achieved 100% pass-through of Manufacturer Rebates
- Paid Lower Administrative Fee
- Data is accessible with full audit ability

What was the result?

- Plan saved **\$7.4 million** the first year – 28% savings



How does this benefit everyone?

Pharmacies

- *Competitive Playing Field with PBM owned Pharmacies*
- *Price Transparency*

Drug Manufacturers

- *Price stability, as “rebate game” removed*

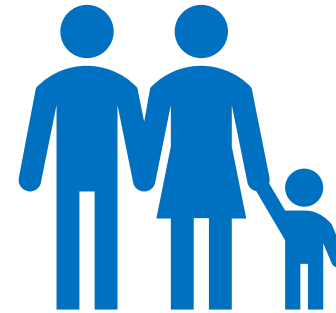
Insurer

- *Cost savings passed on to consumers in premium reductions and out of pocket savings*
- *Price Transparency and Fiduciary Role enhanced*
- *Montana State Employee Plan example*

PBM

- *Competition based on service and admin fees*

Consumers



- *Affordability*
- *Access*

Fairness and Transparency