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**NCPA TESTIFIES BEFORE SENATE SUBCOMMITTEE ON THE HIDDEN COSTS,
UNFAIR BUSINESS PRACTICES OF PHARMACY BENEFIT MANAGERS**

Alexandria, Va. - July 16, 2009 Arkansas pharmacist Mark Riley, Secretary-Treasurer of the National Community Pharmacists Association (NCPA) and Executive Vice President of the Arkansas Pharmacists Association, testified today as part of a Senate Commerce Subcommittee on Consumer Protection, Product Safety, and Insurance hearing on "Competition in the Health Care Marketplace." Formerly, he consulted for one of the large corporations responsible for administering prescription drug plans, known as pharmacy benefit managers (PBMs) and a key subject of the hearing.

Riley's testimony detailed how PBM business practices lack transparency and accountability, creating an unfair marketplace negatively affecting employers, patients and community pharmacies. As Congress considers passing comprehensive health care reform, creating a level playing field for all the participants in the system will produce greater efficiency and help contain costs. Riley methodically explained how PBMs have manipulated the system using their self-proclaimed "cost saving tools" for their own benefit at the expense of patients, employers, and tax payers. Excerpts from his testimony are below:

Riley detailed how PBMs are using their own mail order pharmacies to compete directly against community pharmacies. He said, "PBMs also fix pricing for the retail pharmacies who participate in their networks. This creates a huge conflict of interest because the PBMs also own

mail-order pharmacies that compete directly with the retail pharmacies with whom they are contracted. This leads to the PBM being able to collect not only pricing information from the retail pharmacy, but also to collect patient-specific data. PBMs have become increasingly aggressive with the large amount of data that they have and they are using this data to steer patients away from the community-based pharmacy into a mail order pharmacy that the PBM owns. This type of self-dealing is becoming more and more prevalent in the marketplace and is at its heart anticompetitive. In the Medicare Part A & B worlds, this type of physician self-dealing would be illegal. PBMs simply call it part of their everyday business plan.

Riley further explained that the supposed savings in mail order do not materialize. He said, *"Because of the preferential pricing afforded mail order pharmacies, one might assume that mail order prescriptions are cheaper. However, in my experience, this is not the case. Mail order is steeped in deceptive pricing schemes that are intended to dupe employers into believing that they are saving money."*

Riley pinpointed the most commonplace and manipulative tactic used by PBMs. He said, *"Spread pricing is another game that the PBMs use which thwarts competition by making local community pharmacy prices look inflated. Simply put, the PBMs pay the pharmacy one amount and charge the purchasers a larger amount, but lead the purchasers to believe that the larger amount was actually paid to the pharmacy. In reality, the PBM pockets the difference."*

Finally, Riley discussed the consequences of the merger between CVS and Caremark. He said, *"The ill-advised merger, approved by the FTC, takes the 'smoke and mirrors' practices of the PBMs to whole new level, and its effects are obviously anti-competitive. In addition to the acts I have previously discussed, the merger now allows CVS/Caremark to monitor and utilize every aspect of the community pharmacy transaction to their own advantage. Imagine a business that gets to determine which of its competitors can compete for the customers, how much the competitor will be paid, and then captures all of the data from the competitor's transaction and uses this data to solicit the competitor's customers. This scenario is exactly what CVS/Caremark is doing."*

The entire testimony and the exhibits that accompany it are available for download.

The National Community Pharmacists Association, founded in 1898, represents the nation's community pharmacists, including the owners of more than 23,000 pharmacies. The nation's independent pharmacies, independent pharmacy franchises, and independent chains dispense nearly half of the nation's retail prescription medicines. To learn more go to the NCPA Web site.

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