
Sneed Law Firm, LLC

Memorandum

To: The Honorable Jeff Longbine, Chair
Senate Financial Institutions and Insurance Committee

From: William W. Sneed, Retained Counsel
America's Health Insurance Plans

Date: February 14, 2018

RE: SB 351

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am Retained Counsel for America's Health Insurance Plans ("AHIP"). AHIP is the national trade association representing the health insurance industry. AHIP members provide health and supplemental benefits to more than 200 million Americans through employer-sponsored coverage, the individual and small group insurance markets, and public programs such as Medicare and Medicaid. Members offer a broad range of health insurance products in the commerce marketplace and have also demonstrated a strong commitment to participation in public programs throughout the country. Please accept this memorandum as my client's opposition to SB 351.

The rise in the use and cost of prescription drugs has gained increased attention in recent years. While pharmaceutical advances have brought about life-saving medications that have revolutionized the treatment of certain diseases, the rising prices of prescription drugs are threatening the long-term sustainability of pharmaceutical innovation and patient access to the medications they need. The trend of dramatic price increases impacts the entire health care system, as well as state and local budgets, while also placing a substantial burden on individuals and families that purchase health coverage in the private market. Growth in prescription drug spending continues to outpace growth in other areas, including physicians and hospitals.

PBMs play a critical role in addressing these price increases in order to provide consumers with greater access to affordable medications and evidence-driven formularies. PBMs are able to negotiate directly with manufacturers and pharmacists to obtain discounts for their customers. To encourage

further savings, PBMs are committed to educating their customers about safe, effective, and lower cost generic drugs.

In an effort to ensure that pharmacies and other health care providers are providing quality care, health plans and insurers contract with pharmacy benefit managers (PBMs) as an efficient and effective way to administer prescription drug benefits. PBMs help consumers save on the cost of prescription drugs while using clinically based services to reduce medication errors, achieve higher rates of medication adherence, and improve health outcomes.

Health plans, employers, public payers, and consumers are continually looking for solutions to address rising health care costs, and prescription drug prices have been a significant driver of premium and spending growth. Through the use of PBMs, smaller entities can band together to leverage the volume of their customer base to secure significant discounts off ever-increasing price tags for prescription drugs.

Ultimately, PBMs save money and improve outcomes. PBMs save payers and patients nearly \$1,000 per enrollee per year and reduce costs by \$6 for every \$1 spent on their services. PBMs pass rebates and savings through to their clients according to the terms of their contract. Over the next ten years, PBMs will help prevent 1 billion medication errors and reduce overall costs by \$6 for every \$1 spent on their services. Annual prescription drug spending is dramatically less when using a PBM – up to \$250 billion over the next decade.

PBMs also play an important role in fostering the use of clinically-based services to reduce medication errors, increase compliance with drug therapies, and improve health outcomes. They also provide a number of services related to drug utilization review and disease management and adherence initiatives.

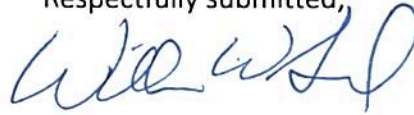
Additionally, we would contend that the State of Kansas has adequate safeguards regarding PBM activity under K.S.A. 40-3821, *et seq.*

Thus, based upon the foregoing, we would urge the Committee to not take action on S.B. 351.

The Honorable Jeff Longbine, Chair
Senate Financial Institutions and Insurance Committee
S.B. 351
February 14, 2018

Thank you, and I am available for questions at the appropriate time.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Will W. Sneed", written in a cursive style.

William W. Sneed