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### Arxcel Services

#### Prescription Benefit Program Management

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- Education in drug trends and industry events
- Customized solutions

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- Coordinate member and account communication

#### Account Service

- PBM auditing
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- Reporting on utilization, trends and analysis
- Financial analysis and modeling
- Clinical program development

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*Trend toward increased scrutiny continues*

## Numerous states considering PBM legislation

**T**he trend of increasing scrutiny of Pharmaceutical Benefit Managers continues as state legislatures have entered the fray in a big way in recent years.

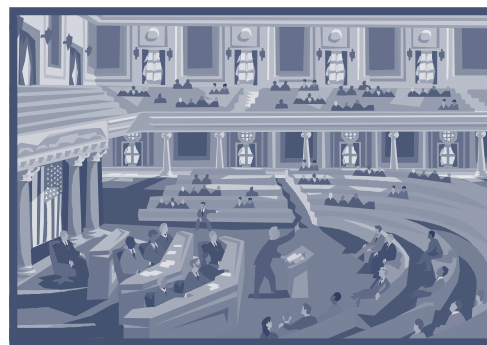
Nine states and the District of Columbia have seen fit to enact laws since 2002 that define and regulate PBM practices, and at least 22 others have bills under consideration.

A 2002 Georgia law, for instance, provides for the licensing and inspection of PBMs. In Kansas, a 2006 law requires PBMs to register with the Commissioner of Insurance.

In Maine, a law passed in 2003 has survived legal challenges and requires full disclosure of contracted activities, including financial terms that exist between PBMs and drug manufacturers.

Bills in California, Hawaii and other states seek public disclosure of rebates, discounts and other

revenue that PBMs receive from manufacturers. Others seek to define or disclose perceived conflicts of interest, to regulate mail-order practices, and to prohibit drug substitutions not approved by the prescriber.



**Nine states have enacted laws...**

**22 others have bills under consideration**

These regulatory activities are happening as the industry seeks to set standards for PBMs. Arxcel's CEO **Chris Robbins** was part of an industry team that developed draft certification standards last fall. These standards address organizational integrity, clinical areas, operations and marketing and communications, and are expected to be released in final form this summer.

With approximately three-fourths of all Americans in health plans that include a pharmacy benefit and healthcare costs continuing to rise, scrutiny and regulation of PBM practices is likely to expand.

*"Everyone has a PBM, everyone needs a PBM consultant."*

## PBM and pharmacy associations battle over collective bargaining bill

**T**he U.S. House of Representatives is considering a bill that would provide collective bargaining rights for independent community pharmacists and health plans to allow them to negotiate drug prices collectively. The legislation would require an exemption of current antitrust laws.



**CAPITAL  
UPDATE**

The National Community Pharmacists Association (NCPA) says the legislation will level the playing field for independent pharmacists, which are essential to keeping prescription drugs accessible to

communities across the country. NCPA represents 24,000 independent pharmacists in the United States.

The Pharmaceutical Care Management Association (PCMA), whose members include the nation's largest prescription benefit managers, released a study in May indicating adoption of the collective bargaining measure would increase health care costs by as much as

11.8 percent or \$29.6 billion over five years. The study predicts cost increases resulting from collective bargaining would be passed through to insurers, and ultimately consumers, and suggests the increases may cause employers to drop employee health plans altogether. PCMA says independent pharmacists already have a number of legitimate avenues to negotiate with PBMs.

Calling the study "bogus," NCPA counters, saying the legislation will allow independents to

compete more effectively and help combat the PBM industry's "anticompetitive business practices." An example of these practices, according to the NCPA, is PBMs' "underpayment" under Medicare Part D benefits, which they claim has resulted in many pharmacies having to close their businesses. The measure seeks to remedy the low Medicare reimbursement rate that is pushing many independent pharmacies to consider dropping out of the program.

### How do PBMs score in 6th-annual Arxcel survey?

The results of the sixth-annual Arxcel Prescription Benefit Research Survey will be released this summer and the big question is: how do customers like their PBMs?

Each year, Arxcel underwrites an independent research study to examine company executives' perceptions regarding causes of high prescription benefit costs, potential solutions for slowing continuing cost increases, and premium and co-payment price points. This year's survey also will measure perceptions of the prescription benefits management (PBM) industry as a whole as well as respondents' individual PBM companies. Respondents consist of employers with more than 1,000 employees. Only companies that use an external PBM qualified to participate in this year's survey.

Already, *The New York Times*, *Wall Street Journal*, *Forbes*, *Financial Times*, *Pharmaceutical Commerce*, *Pharmaceutical Executive*, *Financial Week*, *Drug Topics*, *Drug Benefit Trends* and other leading publications have expressed interest in the survey findings.

Arxcel will share the results of the 2007 Prescription Benefit Research Survey with its clients and friends through special e-mail correspondence in advance of the public release. The results will also be shared through this newsletter and at [www.arxcel.com](http://www.arxcel.com). Look for details in the coming weeks.

**Mission Statement:** We offer expert counsel, analysis and solutions that control prescription benefits to ensure quality pharmaceutical care that improves the health of our clients and their members.