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John Berry
Director, Office of Personnel Management
Theodore Roosevelt Building
1900 E St. NW
Washington, DC 20415

Director Berry,

As a union representing only federal employees and Federal Employee Health Benefit Program (FEHBP) participants we are very concerned that the FEHBP faces ballooning prescription drug cost because of a fragmented and opaque system that puts federal employees in the FEHBP at a profound disadvantage compared to participants in other federal health programs.

Before explaining our concerns we want to welcome you as Director of OPM and emphasize how much we appreciate the recent efforts you and your staff have made to engage with this issue. We know the problems in this system developed over many years, long before your tenure began. Nonetheless, we strongly believe the time has come to act and urge you to prioritize efforts to restructure the FEHBP drug benefit to achieve transparency and cost efficiency. Restructuring is clearly needed in light of evidence that the FEHBP currently pays anywhere from 15 to 45 percent more for its prescription drugs than other federal programs.[i]

OPM should take immediate measures to address these issues before the current pharmacy benefits contract administered by the largest carrier, Blue Cross Blue Shield (BCBS), goes out to bid. We ask that POM include stronger transparency language in the RFP to insure that the FEHBP receives all discounts and rebates from drug manufactures and pays for drugs based on their actual cost rather than inflated figures provided by pharmacy benefit managers (PBM's).

We are also concerned the PBM administration retail pharmacy benefits for BCBS, CVS Caremark, is a combined PBM and retail drugstore chain. This is a new development since the last FEP drug benefit contract was awarded. Existing provisions prevent companies that both manufacture drugs and own a PBM from doing business with FEHBP carriers. This provision should be extended to the new PBM drug store model, which appears to create conflict of interest, anti-competitive dangers, and threats to participant privacy.[ii] As you may know there are others with concerns in regard to the new PBM drugstore model. A bipartisan group of eight House members and five Senators has recently raised concerns about the dangers of the CVS Caremark merger in letters to the Federal Trade Commission, [iii] as have US PIRG, the Consumer Federation of America, the National Legislative Association on Prescription Drug Prices (NLARx), and the National Community Pharmacists Association (NCPA).

Looking to the future, Chairman Lynch and the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia have taken a leading role in advancing possible systemic improvements to the FEHBP drug benefit. We support many aspects of the reform proposals the Subcommittee is considering. In particular, we support streamlining the FEHBP drug benefit to achieve savings comparable to those obtained by other federal programs. We also support allowing the FEHBP access to buy drugs at the prices in the Federal Supply Schedules. The TRICARE program for military families can be a valuable model; it has achieved greater control of its drug spending by carving out the pharmacy benefit as a standalone plan with access to federal discounts, and is expected to save more than a billion dollars in FY 2010 on its retail prescription spending alone.[iv]

We look forward to working with you in the coming months on this important issue.

Respectfully,

L. Dannis Priest

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PRESIDENT

[i] House Committee in Oversight & Government Reform Subcommittee on Federal Workforce, Postal Service, and DC, Information packet for the “Prescribing the Right Solutions: A Discussion on Improving FEHBP’s Drug benefit,” September 29, 2009.

[ii] FEHB Standard Fee-for-Service Contracts (2005), Section 1.26 (a) – Standards for Pharmacy Benefit Management Company (PBM) Arrangement.

[iii] <http://www.reuters.com/article/rbssConsumerGoodsAndRetailNews?idUSN156908820090915>;
<http://www.reuters.com/article/governmentFilingsNews/idUSN3143202620090731>

[iv] Testimony by Rear Admiral Thomas J. McGinnis, Chief, Pharmaceutical Operations Directorate, TRICARE Management Activity, Office of the Assistant Secretary of Defense (Health Affairs), before the Subcommittee on Federal Workforce, Postal Service, and DC on “FEHBP’s Pharmacy Benefits: Deal or No Deal?” June 24, 2009.