



June 1, 2023

The Honorable Joe Lombardo
Governor, State of Nevada
State Capitol
101 N Carson St.
Carson City, NV 89701

Dear Governor Lombardo:

The undersigned organizations collectively represent the prescription drug supply chain. Our members distribute, prescribe, dispense, and administer medications to patients in the State of Nevada. We write today to respectfully request your veto of AB 250, which will have significant negative impacts on our ability to deliver prescription drugs to patients.

We fully support the goal of making prescription drugs more affordable for patients. As healthcare providers, we have seen too many patients struggle to afford their needed medications. Unfortunately, while much of the appeal of AB 250 comes from its apparent simplicity, the bill does not adequately take into account how prescription drugs are bought and paid for in the U.S. Due to the way the prescription drug supply chain functions and the fact that AB 250 would place caps on in-state purchases but not out-of-state purchases, this bill is more likely to have negative unintended consequences than it is likely to benefit Nevada patients.

The federal Inflation Reduction Act of 2021 created the Medicare Drug Price Negotiation Program. Under this program, CMS will set a Maximum Fair Price (MFP) for certain prescription drugs. However, it is important to note that while the MFP represents the most that *Medicare* will pay for a drug, it does not change the “list price” of drugs sold in the U.S. Reductions in price to CMS will likely be achieved through rebates paid to Medicare.

With very limited exceptions, a provider such as a pharmacy, hospital, or clinic that dispenses or administers drugs to patients must first purchase the physical product and then receive reimbursement to cover the cost of that product. The complex system in which prescription

drugs are purchased and distributed from a manufacturer to a wholesaler, then to a healthcare provider, and finally to a patient involves numerous transactions between each entity and with insurance companies, pharmacy benefit managers, and government payers. At each step along the way, these transactions are subject to private negotiations and often involve complicated discount and rebate arrangements.

Furthermore, just as the State of Nevada joins with other states to increase purchasing power in negotiating prescription drug prices, many hospitals, clinics, and independent pharmacies join group purchasing organizations or other purchasing consortiums to lower the price they pay for prescription drugs. Many of these entities engage in transactions that take place outside of the state. Additionally, chain pharmacies negotiate rates and purchase prescription drugs nationally in transactions that occur out of state.

AB 250 puts our in-state providers and other healthcare entities at risk. Even if Nevada establishes a cap on the price for prescription drugs based on the MFP, the price at which these drugs are bought and sold for nationally will remain unchanged. As mentioned above, the Inflation Reduction Act also does not change the list price for drugs. And because many Nevada providers purchase drugs in out-of-state transactions that would not be subject to the limitations in AB 250, our in-state distributors and providers will purchase drugs at a national price and then be subject to in-state price caps. Providers will then have to choose whether to purchase drugs for more than they can be reimbursed or to stop purchasing some drugs altogether. This, in turn, could drive some patients to out-of-state retail and mail order pharmacies, further deepening the impact on our healthcare infrastructure.

AB 250 also puts patient access at risk. Healthcare providers often lose money on claims for prescription drugs. However, if pharmacies, clinics, and hospitals lose money *every time* they dispense or administer certain prescription drugs, they may find it infeasible to stock certain medicines. In this unfortunate scenario, patient access to these medicines will suffer.

We respectfully ask for your veto of AB 250.

Sincerely,

American Pharmacists Association
National Association of Chain Drug Stores
National Community Pharmacists Association
Nevada Hospital Association
Nevada Pharmacy Alliance
Nevada Society of Health-System Pharmacists
Nevada State Medical Association
Healthcare Distribution Alliance
Retail Association of Nevada