

July 27, 2021

The Honorable Ron Wyden
Chairman, Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member, Committee on Finance
United States Senate
239 Dirksen Senate Office Building
Washington, DC 20510

Re: Ban on Medicaid managed care spread pricing

Dear Chairman Wyden & Ranking Member Crapo:

As deliberations continue regarding the infrastructure package, the National Community Pharmacists Association (NCPA) wishes to communicate our strong support for including language that would improve transparency and prevent the use of abusive pharmacy benefit manager (PBM) spread pricing and related practices in Medicaid. As your Committee has jurisdiction over this language that has previously been included in drug pricing legislation in both houses of Congress, including the *Prescription Drug Pricing Reduction Act (PDPRA) of 2019*, we urge your swift inclusion of this pay-for in any upcoming infrastructure package.

NCPA represents America's community pharmacists, including more than 21,000 independent community pharmacies. Together, our members represent a \$74 billion health care marketplace, employ approximately 250,000 individuals, and provide an expanding set of health care services to millions of patients every day. Our members are small business owners who are among America's most accessible health care providers, often serving as the only pharmacy in many rural and urban medically underserved areas.

For years, PBMs have been playing spread pricing games, contributing to higher drug costs to the detriment of patients and the taxpayer-funded programs the PBMs are supposed to serve. Studies of multiple state Medicaid managed care programs have indicated that PBMs are overcharging taxpayers for their services in Medicaid managed care, reimbursing pharmacies low for medications dispensed, billing the state Medicaid program high for the cost of those medications, and retaining the difference, called "spread."¹ Arkansas, Georgia, Kentucky, Louisiana, New York, Ohio, Pennsylvania, and Virginia now prohibit spread pricing in their Medicaid managed care programs. Federally, CMS has issued guidance prohibiting managed care organizations in Medicaid managed care programs from counting the "spread" towards medical costs in the medical loss ratio. NCPA has advocated for banning the use of spread pricing by PBMs.

Specifically, NCPA supports language that would ban spread pricing for purposes of claiming federal matching payments under Medicaid and require that administrative service fees paid to PBMs would be limited to reasonable administrative fees and such fees would be reported to Congress/state(s) upon request.

¹ National Community Pharmacists Association summary of state Medicaid managed care reforms
<https://ncpa.org/sites/default/files/2020-05/medicaid-managed-care-reform-one-pager.pdf>

PBMs would be required to reimburse pharmacies with an ingredient cost and a professional dispensing fee, which must be no less than the professional dispensing fee under the fee-for-service program. Ingredient cost would be based on the National Average Drug Acquisition Cost (NADAC) and pharmacies would be required to participate in the NADAC survey and the monthly responses would be publicly available.

While NCPA has concerns about the penalties that could be assessed for non-compliance, even if a respondent was a day late, this language would ensure pharmacies are paid a reasonable reimbursement to cover the cost of the drug and the operational costs of the pharmacy, which in many instances is not the case today. Moreover, this language would provide transparency and end one of the more egregious practices of PBMs that contributes to higher drug costs.

In sum, NCPA strongly supports a ban on Medicaid managed care spread pricing. If you have any questions, please don't hesitate to contact me at karry.laviolette@ncpa.org or 703-600-1180.

Sincerely,

A handwritten signature in blue ink, appearing to read "Karry K. La Violette", followed by a horizontal line.

Karry K. La Violette
Senior Vice President of Government Affairs & Director of the Advocacy Center
National Community Pharmacists Association