March 24, 2022

The Honorable Kathy Hochul
Governor of the State of New York
NYS State Capitol Building
Albany, NY 12224

RE: NCPA comments on Medicaid Managed Care (MMC) reform

Dear Governor Hochul:

I am writing on behalf of the National Community Pharmacists Association (NCPA) to ask you to honor your commitment to address Medicaid Managed Care (MMC) pharmacy reimbursement reform in the budget process. More specifically, it is important that the budget bring transparency and fairness to pharmacy reimbursements in Medicaid managed care.

NCPA represents the interest of America's community pharmacists, including the owners of more than 19,400 independent community pharmacies across the United States and 2,561 independent community pharmacies in New York. These New York pharmacies filled over 142 million prescriptions last year, including 25 million Medicaid prescriptions, impacting the lives of thousands of patients in your state.

In 2020, the Legislature decided to implement a Medicaid carve-out because it was clear that the Medicaid prescription drug benefit was being mismanaged by managed care organizations and their pharmacy benefit managers (PBMs) under the managed care program. After investigating the role of PBMs, the Senate Committee on Investigations and Government Operations released a report finding that "PBMs often employ controversial utilization and management tools to generate revenue for themselves in a way that is detrimental to health plan sponsors, patients, and pharmacies."[1] Comptroller DiNapoli found New York paid its PBMs $605 million in unnecessary costs over four years, because the PBMs created drug formularies that resulted in rebates that were in the best interest for the PBM, not the state.[2]

The problems caused by MCO/PBM management of prescription drug benefits that led the Legislature and the Governor to enact the carve-out continue to exist in New York. Unfortunately, the implementation of the carve-out was delayed. As a result, the Legislature

[1] New York Senate Committee on Investigations and Government Operations, *Final Investigative Report: Pharmacy Benefit Managers in New York,* (May 31, 2019), *available at* https://www.nysenate.gov/sites/default/files/article/attachment/final_investigatory_report_pharmacy_benefit_managers_in_new_york.pdf.
[2] Office of the New York State Comptroller, Medicaid Program: Cost of Pharmacy Services Under Managed Care, (Sept. 2020), https://www.osc.state.ny.us/files/state-agencies/audits/pdf/sga-2020-19s11.pdf.

100 Daingerfield Road
Alexandria, VA 22314-2888
703.683.8200 PHONE
703.683.3619 FAX

passed S6603 to address some of the opaque PBM business practices by requiring a transparent reimbursement payment model in the Medicaid managed care program. You ultimately vetoed the legislation over concerns that it was more appropriate to include in the budget. We now ask you to include the provisions in this year's budget legislation.

We urge you to bring transparency and fairness to pharmacy reimbursements in the Medicaid managed care program by requiring reimbursements be no lower than the Medicaid fee-for-service program. This reimbursement approach is not a new concept. Iowa, Kansas, Louisiana, Mississippi, Michigan, and Arkansas all have adopted nearly identical reimbursement benchmarks in their respective Medicaid managed care programs. These states know how their tax dollars are being spent because they establish the reimbursement rates for pharmacy services in their Medicaid managed care programs. In those states, PBMs must reimburse pharmacies at the same rates established under the fee-for-service program. Further, none of these states have seen increases in their spending. In fact, the Congressional Budget Office found that reforming Medicaid managed care pharmacy payments as we are urging New York to do, would save the federal government almost ONE BILLION dollars over ten years[3]. That is just the federal savings.

Under this reimbursement methodology, what a PBM reimburses a pharmacy must be based on the national average drug acquisition cost, or NADAC, plus a professional dispensing fee. NADAC is "a simple average of the drug acquisition costs submitted by retail community pharmacies."[4] The professional dispensing fee is established by the state and is supported by New York-specific data.[5] These two benchmarks are evidence-based and accurately reflect a pharmacy's true cost of dispensing a drug. By basing pharmacy reimbursements on NADAC plus the state-established professional dispensing fee, this approach will allow the state, taxpayers, and patients to rest assured that the amount they are paying for their medications is an accurate reflection of the true cost of those drugs.

Again, NCPA strongly urges you to prioritize Medicaid transparency and accountability in your budget proposal by adopting this pharmacy reimbursement benchmark methodology. Thank you for your time and consideration. If you have any questions about the information in these comments, please do not hesitate to contact me at anne.cassity@ncpa.org.

Sincerely,

Anne Cassity, JD
Vice President, Federal and State Government Affairs
National Commnity Pharmacists Association

---

[3] Congressional Budget Office, Analysis, *Prescription Drug Pricing Reduction Act of 2019, page 6, section 10206, https://www.finance.senate.gov/imo/media/doc/2020-03-13%20PDPRA-SFC%20CBO%20Table.pdf (*March 2020*)*

[4] Centers for Medicare & Medicaid Servs., *Methodology for Calculating the National Average Drug Acquisition Cost (NADAC) for Medicaid Covered Outpatient Drugs* 15 (Nov. 2013).

[5] *See* 42 C.F.R. 447.518(d).