

The Consequences of PBM Control over Medicaid Managed Care Programs

The problem: Medicaid drug costs are increasing, pharmacy reimbursements are decreasing. Something isn't adding up.

As pharmacy reimbursement rates are ratcheted down, pharmacy providers are frequently reimbursed at rates that leave them "underwater" on the medications they dispense. Eventually, this leads to drastic negative effects on pharmacy providers as well as the vulnerable Medicaid beneficiaries who they serve. Meanwhile, Medicaid budgets are soaring.

The cause: PBMs are pocketing millions of dollars by using opaque business practices.

States have found that an excessive amount of taxpayer dollars remain with pharmacy benefit managers (PBMs).

- The Centers for Medicare and Medicaid Services is concerned that PBMs' use of "spread pricing is inflating prescription drug costs that are borne by beneficiaries and by taxpayers," and CBO estimates that moving to transparent pharmacy reimbursements will save \$1 billion over 10 years.
- Pennsylvania: Between 2013 and 2017, the amount that taxpayers paid to PBMs for Medicaid enrollees more than doubled from \$1.41 billion to \$2.86 billion.
- Ohio: the state Auditor found that, of the \$2.5 billion that's spent annually through PBMs on Medicaid prescription drugs, PBMs pocketed \$224.8 million through the spread alone during a one-year period.
- Kentucky: In response to a state report that found state PBMs keep \$123.5 million in spread annually, the Attorney General has launched an investigation into allegations that the PBMs have overcharged the state and discriminated against independent pharmacies.
- Arkansas, Illinois, Kansas, Mississippi, New Hampshire, New Mexico, Ohio, Washington, and three other states have collected over \$300 million through settlement agreements with Centene after allegations of improper administration of Medicaid pharmacy benefits.
- Louisiana: PBMs retained \$42 million that was incorrectly listed as "medical costs."
- New York: An audit found the state unnecessarily paid \$605 million to Medicaid managed care organizations and their PBMs over a four year period, because "MCOs typically work with their PBMs to conduct their own clinical reviews to identify drugs that provide the greatest value to THEM and therefore should be placed on the drug formulary."
- Michigan: Drug price manipulation allowed PBMs to overcharge Michigan Medicaid by at least \$64 million.
- Virginia: A state-commissioned report on Medicaid found PBMs pocket \$29 million in spread pricing alone.
- Maryland: A state Medicaid report found PBMs pocket \$72 million annually in spread pricing alone.
- Florida: A report found PBMs steer patients to PBM-affiliated pharmacies, and "when it comes to dispensing brand name drugs, MCO/PBM-affiliated pharmacies are making 18x to 109x more profit over the cost of the drugs than the typical community pharmacy."

- Arkansas: A state-commissioned report found that PBMs in the Medicaid program reimbursed national chain pharmacies more (defined as greater than 5% difference) than regional chain and independent pharmacies for the same drug.¹

The solution: Increase PBM Transparency/Accountability and Ensure State Oversight of Medicaid Managed Care Programs

¹ CMS Issues New Guidance Addressing Spread Pricing in Medicaid, Ensures Pharmacy Benefit Managers are not Up-Charging Taxpayers, (May 15, 2019), available at <https://www.cms.gov/newsroom/press-releases/cms-issues-new-guidance-addressing-spread-pricing-medicaid-ensures-pharmacy-benefit-managers-are-not>. Pennsylvania Auditor General, *Bringing Transparency & Accountability to Drug Pricing* 6 (Dec. 11, 2018), available at https://www.paauditor.gov/Media/Default/Reports/RPT_PBM%20FINAL.pdf. Auditor of State of Ohio, *Auditor's Report: Pharmacy Benefit Managers Take Fees of 31% on Generic Drugs Worth \$208M in One-Year Period*, (Aug. 16, 2018) <https://ohioauditor.gov/news/pressreleases/Details/5042>. Kentucky Department for Medicaid Services, *Medicaid Pharmacy Pricing: Opening the Black Box* 5, 8 (Feb. 19, 2019), available [here](#). Kentucky Attorney General, *Beshear Launches Investigation into Inflated Prescription Drug Prices*, (Mar. 21, 2019), <https://kentucky.gov/Pages/Activity-stream.aspx?n=AttorneyGeneral&prId=739>. <https://ncpa.org/newsroom/2021/11/02/centene-says-its-getting-out-pbm-business>; <https://ncpa.org/newsroom/qam/2021/12/07/another-day-another-centene-settlement>; <https://ncpa.org/newsroom/qam/2022/01/07/another-day-another-centene-settlement>; <https://www.reuters.com/legal/government/centene-pay-333-mln-settle-washington-medicaid-fraud-claims-2022-08-24/>. Melinda Deslatte, *Task Force: Is Louisiana Medicaid Drug Spending Inflated?*, U.S. NEWS & WORLD REPORT (Oct. 26, 2017), available at <https://www.usnews.com/news/best-states/louisiana/articles/2017-10-26/louisiana-spending-on-medicaid-prescription-drugs-questioned>. <https://www.osc.state.ny.us/state-agencies/audits/2020/09/17/medicaid-program-cost-pharmacy-services-under-managed-care>. 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. Michigan Pharmacists Association, *New Report Highlights Role of Pharmacy Benefit Managers in Manipulating Drug Costs for Michigan Patients, Pharmacists, and Taxpayers*, (April 29, 2019), available at <http://www.michiganpharmacists.org/Portals/0/news/releases/FINAL%20MI%20Report%20Press%20Release.pdf?ver=2019-05-01-110013-603>. Virginia Department of Medical Assistance Services, *Managed Care Pharmacy Benefit Manager (PBM) Transparency Report* 3 (Oct. 1, 2019), available at <https://rga.lis.virginia.gov/Published/2019/RD593/PDF>. Maryland Department of Health, *Maryland's 2019 Report on the Maryland Medical Assistance Program and Managed Care Organization that Use Pharmacy Benefits Managers – Audit and Professional Dispensing Fees* 3 (Jan. 3, 2020), available at <https://cdn.ymaws.com/www.marylandpharmacist.org/resource/resmgr/legislative/mcoauditreport.pdf>. 3 Axis Advisors, *Sunshine in the Black Box of Pharmacy Benefits Management: Florida Medicaid Pharmacy Claims Analysis* 126 (Jan. 27, 2020). <https://ncpa.org/sites/default/files/2020-10/ark-doi-pbm-mmc-examination.pdf>.