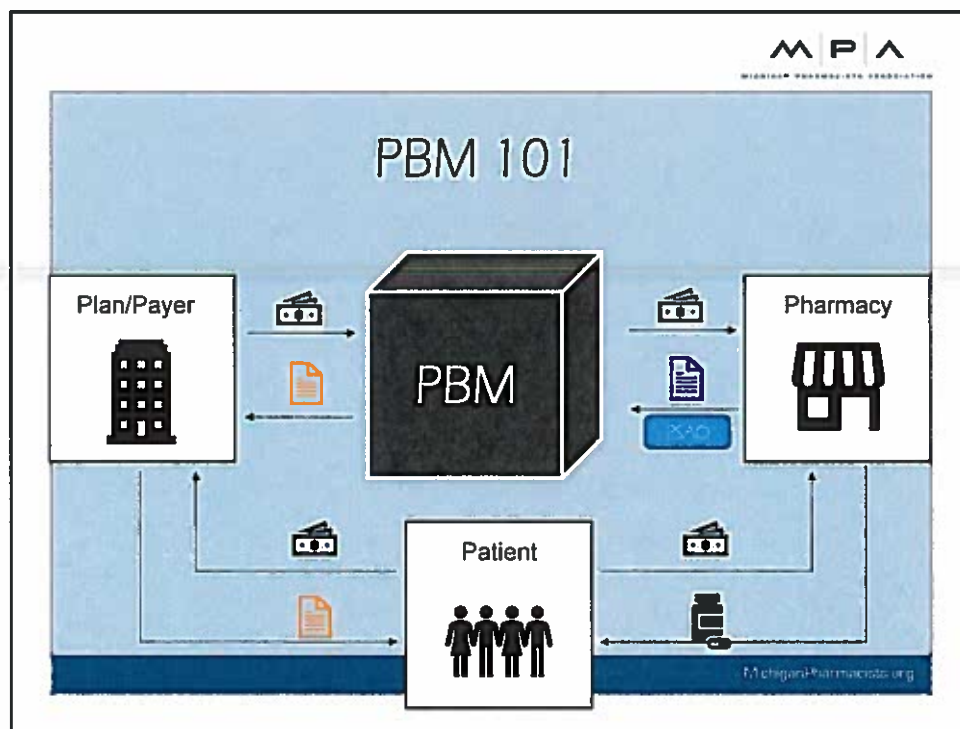


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Pharmacy Benefit Manager (PBM) Issues

House Health Policy Committee
April 18, 2019

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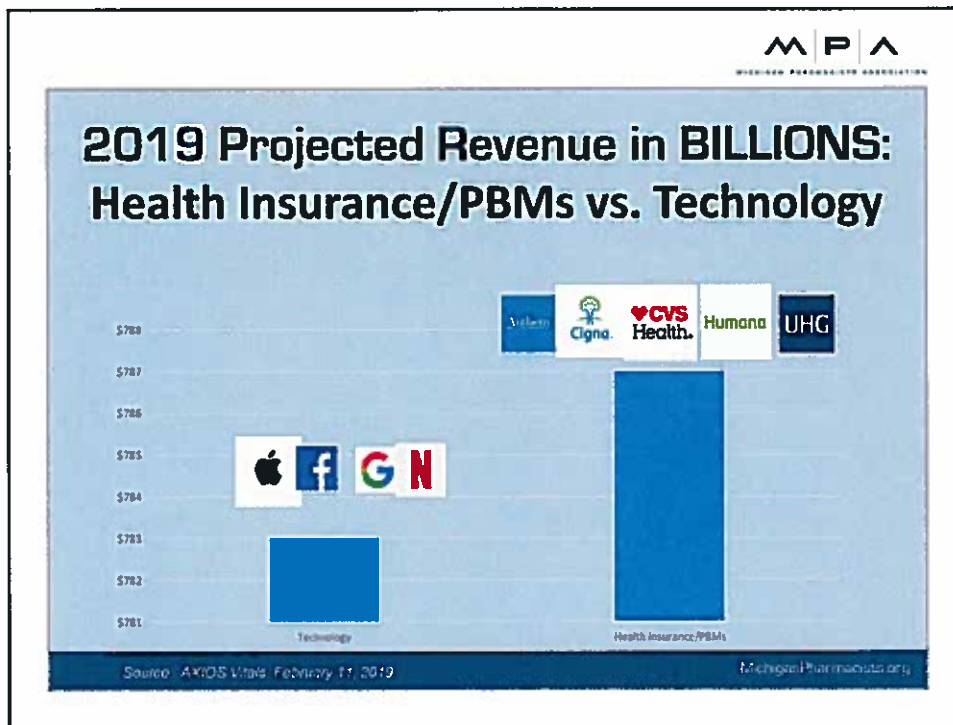


History of PBMs

1. 1980s
 - Created networks, processed claims, rebates from Pharmaceutical Companies
2. 1990s-2000s
 - Closed networks, increase emphasis on rebates
 - Contracts became take it or leave it - no negotiation
3. 2010s
 - Rebates, Multi-tier copays, Closed networks, Poor reimbursement, Pharmacy Audits

History of PBMs – cont'd

4. Today
 - All issues from 1990-2010 and more!
 - Contracts are take it or leave it
 - DIR (direct and indirect remuneration) fees for Medicare Part D (clawback)
 - GER (generic effective rate) and other claw-backs - occur after the prescription is dispensed, frequently at end of the year



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- How Drug Prices are Inflated**
- “Spread Pricing” in pharmacy is a common practice used by PBMs
 - Spread pricing is the difference of the price that is paid to the pharmacy versus the price that is billed to the health plan/employer
 - Has been occurring since early 2000s
 - Spread pricing is a major cause increased drug costs to Medicaid and other plans



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Michigan Medicaid Spread Pricing Study

- Being released tomorrow
- Actual data from 451 community pharmacies across Michigan – nearly 20% of community pharmacies
- Focus on spread pricing of oral generic tablets and capsules in Medicaid managed care – nearly 2 Million prescriptions
- Reviewed actual Medicaid data from Q1 2016 through Q1 2018

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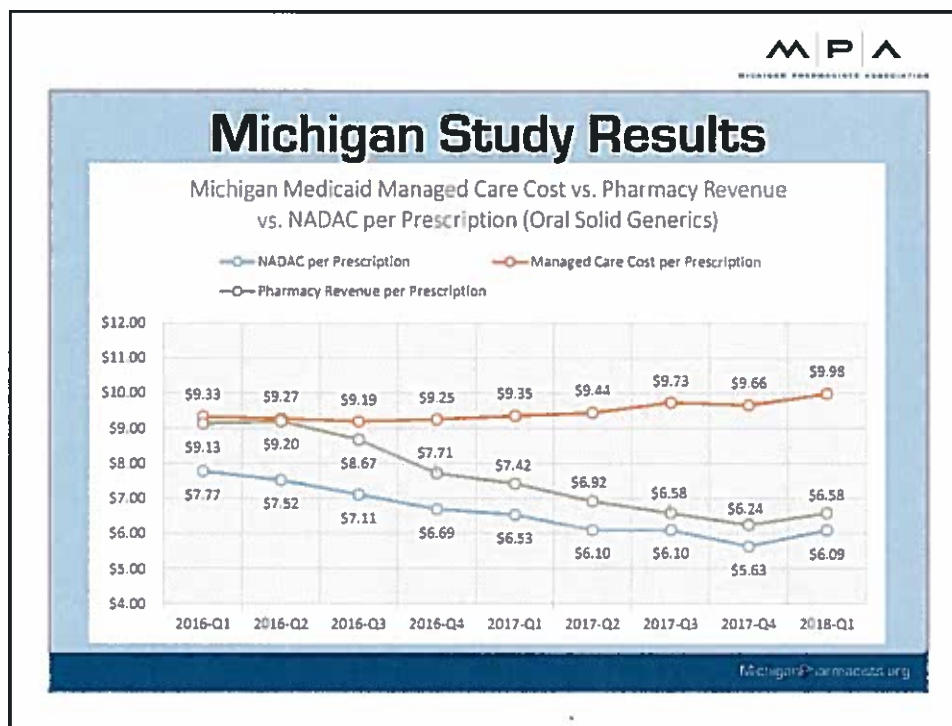


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Michigan Study - Results

- On annual basis – spread margin for generics grew from 6% (Q1 2016) to 29% of managed care costs in 2017 - \$64 Million
- By Q1 2018, pharmacies were reimbursed on average only \$.49 above NADAC for generics
- This equates to 5% of Michigan's surveyed \$10.64 cost to dispense for pharmacies
- Using NADAC for behavioral meds, State saved over \$20M by carving out behavioral meds – rather than run through MCOs

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Actions in Other States

- Spread pricing has been an issue in OH, KY, GA, NY, VA, WV
- Several state auditors and AGs have investigated
- Ohio Auditor - entire Medicaid program (FFS and MCOs) found PBMs retained \$224.8M of the monies billed to Medicaid
- Ohio recently fired its PBM – other states have established a per claim charge

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Actions in Other States

- West Virginia "carved out" their Medicaid Managed Care prescriptions to their fee-for-service payment system
- WV taxpayers saved \$54.1 Million the first year
- \$122 Million stayed in WV economy that previously went to PBMs – More \$ paid to pharmacies – rather than going to the PBM
- WV patients had better access to care

Michigan Projections

- MI Medicaid FY 2107 - \$2.0955 BILLION on prescriptions
- Ohio Auditor found spread was 31.4% on generics and 8.9% on all Rx's
- Michigan spread was 29% on generics
- Estimate that spread pricing in Michigan Medicaid is at least \$116 Million and as high as \$186 Million

PBM Impact in Michigan

- John Gross – pharmacist owner of 3 pharmacies in Clare County
- Impact on pharmacies
- Risks to patients

QUESTIONS?