

## Study: Texas Could Save Millions by Cutting PBMs Out of Medicaid

Texas could save taxpayers up to \$90 million per year by changing how it administers prescription drug benefits in Medicaid and the Children's Health Insurance Program, according to a little-noticed report by Texas HHSC.

Texas Medicaid hired Deloitte, a big four accounting firm, to conduct a fact-finding mission into prescription drug spending in Medicaid. Pulling data from the last three years, their team compared what taxpayers funded for prescriptions under the current model – in which health insurance companies contract with Pharmacy Benefit Managers (PBMs) to pay pharmacies -- versus what it would have cost if Texas Medicaid paid pharmacies directly – with no middlemen. The findings are bad for taxpayers.

The study comes amid growing national scrutiny of PBMs and the rise in drug prices that their practices have caused. Vowing to take action against PBMs last year, President Trump said, "The middlemen became very rich. They won't be so rich anymore." Meanwhile, states around the country have acted to remove PBMs from Medicaid and institute other patient-friendly reforms. Yet the Texas Health and Human Services Commission hasn't made any moves to save Texas taxpayers millions by reining in PBMs.

Deloitte looked at eight possible scenarios to reflect the uncertainty of how such a change could impact costs. The study found the state would save money in five of the eight scenarios, with an annual savings as high as \$90 million. It also showed the state is surrendering its most valuable tools in controlling drug costs, because the current approach lacks transparency, accountability, oversight, and uniformity.

The study also found Medicaid managed care organizations have overpaid for drugs and ingredients, inflating state costs by about 6 percent. These overpayments cost about \$215 million in 2017. Conversely, the fee-for-service methodology (when the state pays a pharmacy directly) is accurate within less than 1 percent for the drug itself.

The report comes as states across the country are cracking down on the PBMs driving up prescription drug costs and pocketing taxpayer dollars. For example, West Virginia saved \$30 million per year by cutting PBMs out of the state's Medicaid program. Ohio audited one of the largest PBMs, OptumRx, and found that it kept \$224 million through "spread pricing," in which PBMs keep the difference between what they bill insurers and what they pay pharmacists. The Trump administration has also sounded the alarm about the ways PBMs are driving up the costs of prescription drugs. Texas needs a change to stop losing money to middlemen.

The Alliance of Independent Pharmacists of Texas is calling on the Legislature to pass PBM reform legislation this year. Specifically, independent pharmacists in Rome, Wichita Falls, Sweetwater, Lubbock, Austin, Dallas, Fort Worth, Houston, Gun Barrel City, and Tyler have asked legislators to stop Texas from getting swindled by PBMs and instead get drug at the lowest known price.

"We hope legislators will take a number of steps this year that can lead to lower prescription drug prices," said Lee Ann Hampton, owner of Paris Apothecary and President of the Alliance of Independent Pharmacists of Texas. "PBMs drive up patient costs and shortchange community pharmacists. By passing

necessary reforms of PBMs, Texas has the chance to lower costs for patients, save resources in the Medicaid program and help the small businesses that have been harmed by PBMs' practices.”