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Pharmacy Leaders. Transforming Patient Care.

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VOTE YES

SB 2262/HB 3388

Sen. Lois Kolkhorst/Rep. J.D. Sheffield

Transparency • Accountability • Uniformity

PBM Model Drives up Medicaid Drug Costs

Senate Bill 1 (85R), Texas Health and Human Services Commission Rider 60 commissioned a study to quantify potential savings by increasing transparency and accountability in the drug benefit.

Senate Bill 2262 and House Bill 3388 implements taxpayer savings from Rider 60 including:

1. Moving to a single, statewide claims processor model in delivering prescription drug benefits to all of Texas' Medicaid and general revenue programs.
2. Reducing or eliminating the Affordable Care Act Health Insurance Providers Fee, risk margin, and administrative services costs weighing down the current capitation.
3. Transitioning prescription drug benefits to a more real-time transparent pricing methodology with a commensurate professional dispensing fee.
4. Improved adherence to the Preferred Drug List (PDL), helping identify outcomes based pharmacy data, and more efficiently identify outcomes and trends in pharmacy utilization.

Senate Bill 2262/House Bill 3388 would save millions in Medicaid by moving prescription drug benefits away from pharmacy benefit managers to a more efficient real-time and transparent system for pharmacy benefits. Please join the bipartisan group of legislators supporting these bills.

A Prescription for Texas Taxpayers

Texas #smallbusiness suffers at the hands of out-of-state PBMs.

- Eighty-two percent of pharmacists surveyed report under Medicaid Managed Care PBMs:
 - Filling more prescriptions below their costs to buy the drug.
 - A reduction in employee salaries and employee benefits.

Texas Health and Human Services Commission conducted a study which clearly outlines the state can save millions by using a single statewide fiscal agent.

- West Virginia carved pharmacy benefits away from PBMs and saved more than \$50 million.
- HHSC's study looked at eight scenarios for handling prescription drugs differently.
- The study found Texas could save up to \$90 million per year (all funds) by moving away from the PBM model.

SB 2262/HB 3388 move pharmacy reimbursements to a more transparent model.

- Recently enacted rules ensure costs are controlled under the fee-for-service (FFS) model.
- Since 2016, reimbursements under FFS must be based on acquisition cost (e.g., NADAC) and a professional dispensing fee.
- These requirements have resulted in cost savings.

The carve-in of pharmacy benefits has not produced promised savings.

- A 2011 Lewin report promoting a prescription drug carve-in estimated \$3.8 billion in savings. Those savings have not materialized.
- The HHSC study found Texas overpaid MCOs for prescription drugs in the amount of \$190M in 2017.

States have found an excessive amount of taxpayer dollars remain with PBMs.

- Pennsylvania: Between 2013 and 2017, the amount taxpayers paid to PBMs for Medicaid enrollees more than doubled from \$1.41 billion to \$2.86 billion.
- Ohio: the state Auditor found, of the \$2.5 billion that's spent annually through PBMs on Medicaid prescription drugs, PBMs pocketed \$224.8 million during a one-year period.
- Kentucky: \$1.68 billion is spent annually on prescription drugs in the Medicaid managed care program, and the evidence suggests PBMs keep as much as \$630 million.
- Louisiana: PBMs retained \$42 million that was incorrectly listed as "medical costs."
- New York: PBMs in the Medicaid managed care program used spread pricing to pocket a 32% markup on generic prescriptions.¹

The Solution: Increase Transparency/Accountability and Ensure State Oversight of Medicaid Managed Care Programs.

Let's pass SB 2262/HB 3388.

1. Pennsylvania Auditor General, Bringing Transparency & Accountability to Drug Pricing 6 (Dec. 11, 2018), available at https://www.paauditor.gov/Media/Default/Reports/RPT_PBMs_FINAL.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>. Hearing Before the S. Comm. On Health and Welfare, 2018 Regular Session (Ky. Jan. 24, 2018), available at <http://www.ncpa.co/pdf/kentucky-testimony-jan2018.pdf>. 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>. Robert Langreth, Drug Middlemen Got Hefty Markup in New York, Pharmacy Group Says, BLOOMBERG (Jan. 24, 2019), available at <https://www.bloomberg.com/news/articles/2019-01-24/drug-middlemen-got-hefty-markup-in-new-york-pharmacy-group-says>.