



January 24, 2018

Senator Max Wise  
702 Capitol Ave  
Frankfort, KY 40601

**Re: SB5 – An Act Relating to Pharmacy Benefits in the Medicaid Program**

Senator Wise:

Thank you on behalf of the Pharmaceutical Care Management Association (PCMA) for the opportunity to offer comments on SB5, An Act Relating to Pharmacy Benefits in the Medicaid Program. In 2011 Kentucky made a policy decision to implement a state-wide Medicaid Managed Care program in order to realize much needed savings in the program while maintaining the ability to provide critical health care services to Kentucky's most vulnerable populations. **While there are many questions on how SB5 will be implemented if it were passed into law, it is clear that several key components of the Commonwealth's managed care program could be impacted, including the following: the cost of the benefit to the Commonwealth; drug utilization; integration of care; management of the pharmacy benefit; and coordination of medical and pharmacy data.**

PCMA is the national association representing America's pharmacy benefit managers (PBMs), which administer prescription drug plans for more than 266 million Americans with health coverage provided through Fortune 500 employers, health insurance plans, labor unions, state and federal employee-benefit plans, and Medicare.

The proponents estimate of savings for the Commonwealth is based on the "projection" of savings for a newly implemented program in West Virginia. Real, time tested data is still not available. Proponents believe that the state will automatically increase the dispensing fee for all Medicaid prescriptions to the current fee-for-service (FFS) rate of \$10.64. Again, this assumption is broad and lacks the needed study to make sound policy decisions. For example, many commonly prescribed generics are available for \$4.00 without an additional dispensing fee. If the Commonwealth makes the policy decision to pay the FFS dispensing of \$10.64, the pharmacy dispensing fee would see a considerable increase over the current market driven rate. It is easy to see how the pharmacies will make more money, but if you simply estimate that there are millions of Medicaid prescriptions dispensed annually it is difficult to see how the Commonwealth will save money. **While SB5 does not specifically state what the reimbursement methodology would be or what the dispensing fee would be, the National Center For Policy Analysis reports that states that manage their drug benefit rather than relying on the negotiated dispensing fees of PBMs often arbitrarily pay much higher dispensing fees.**<sup>1</sup>

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<sup>1</sup> *Increasing the Cost Effectiveness of Medicaid Drug Programs – The National Center For Policy Analysis*  
(<http://www.ncpa.org/pdfs/bg164.pdf>)



In addition, to higher dispensing fees, **state managed FFS Medicaid Drug programs have a lower generic drug fill rate at 78 percent versus 82.8 percent for Medicaid Managed Care.**<sup>2</sup> Dispensing a brand drug when a less expensive generic drug is available results in substantial costs to the state.

A 2009 Report by the federal Department of Health and Human Services Inspector General compared the costs of drugs obtained by privately-run Medicare Part D programs with the cost of drugs obtained by state run Medicaid programs. **For generic drugs, state run Medicaid programs paid at least 10 percent more for three fourths of the drugs surveyed.**<sup>3</sup>

Prescription drugs play a critical and central role in today's treatment plans. Integrated care using real time data ensures individual patient centric care. Carving out the pharmacy benefit removes a service that is central to the Medicaid population's health care treatment. When an MCO has direct access to real time data, management tools can be employed that better coordinate care and reduce over-utilization caused by unnecessary and fraudulent prescriptions. **It is critical that important PBM tools that rely on real time data such as drug to drug interaction notification, doctor shopping alerts, and medication adherence reports are available to the MCOs.**

PBMs exist to meet the specific needs of our clients, employers, health insurance plans, labors unions, state and federal employee-benefit plans, Medicare and Medicaid who pay for the drug benefit. Today, the industry has a 40+ year track record of clinical and cost management innovation. PBMs offer proven tools which are recognized by consumers, employers, policymakers and others as key drivers in lowering prescription drug cost, increasing access, and improving outcomes. PBMs reduce drug cost by encouraging the use of generics and affordable brand medications. We offer programs that reduce waste and increase drug therapy adherence that improve health outcomes through plan design, clinical management, step therapy and drug formularies. We work with our clients to ensure that their members and employees have access to necessary medications through a variety of high quality pharmacies, including retail, community, mail-order, and specialty pharmacies. We manage high-cost specialty medications; negotiate rebates from drug manufacturers and discounts from drugstores.

### **PBM Lower Costs for Patients and Payers**

According to researchers, **PBMs hired by plan sponsors to maximize the value of prescription drug benefits, help patients and payers save \$941 per enrollee per year in prescription drug**

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<sup>2</sup> The Menges Group - Comparison of Medicaid Pharmacy Costs and Usage in Carve-In versus Carve Out States 2015

([https://themengesgroup.com/upload\\_file/medicaid\\_pharmacy\\_carve-in\\_final\\_paper\\_the\\_menges\\_group\\_april\\_2015.pdf](https://themengesgroup.com/upload_file/medicaid_pharmacy_carve-in_final_paper_the_menges_group_april_2015.pdf))

<sup>3</sup> Department of Health & Human Services - Comparing Pharmacy Reimbursement: Medicare Part D to Medicaid – Daniel R. Levinson 2009

(<https://oig.hhs.gov/oei/reports/oei-03-07-00350.pdf>)



**costs,<sup>4</sup> equaling \$654 billion over the next 10 years.<sup>5</sup> Plan sponsors use these savings to benefit patients by lowering premiums or deductibles. Over the next decade, **PBM's will save the citizens of Kentucky \$9.379 billion, including \$4.3 billion for commercial and private insurance, \$4.2 billion for Medicare part D, and \$879 million for Medicaid.**<sup>6</sup>**

PBMs have a proven track record of delivering high-quality, affordable benefits that address the individual needs of our clients and patients.

With approximately 80 different companies that offer PBM services in the marketplace, the PBM industry is highly competitive; employer, union and government plans have a variety of choices when considering how best to manage their pharmacy benefit. In order to remain competitive, PBMs must reduce drug costs for their plan sponsors by eliminating excessive fees and passing savings along to their plan sponsors and their beneficiaries.

In closing, we urge caution when considering a change to such an important public policy. **Any artificial inflation in pharmacy reimbursement or reduced coordination of care could have a far-reaching impact on the Medicaid beneficiaries of the Commonwealth.**

Thank you for the opportunity to provide input. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Melodie Shrader". The signature is fluid and cursive, with the first name "Melodie" and last name "Shrader" clearly distinguishable.

Melodie Shrader  
Senior Director - State Affairs

Attachments: About PCMA  
Pharmacy Benefit Managers: Innovative Tools and Techniques

c.c. Scott Brinkman, Executive Secretary of the Cabinet, Office of the Governor  
Bryan Sunderland, Director Legislative Affairs, Office of the Governor  
Vicki Yates Brown, Secretary, Cabinet for Health and Family Services  
Stephen Miller – Commissioner for Medicaid Services  
Eric Clark, Chief of Staff, Cabinet for Health and Family Services

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<sup>4</sup> Visante, Inc. "The Return on Investment (ROI) on PBM Services," Prepared by Visante on behalf of PCMA, November 2016.

(<https://www.pcmanet.org/wp-content/uploads/2016/11/ROI-on-PBM-Services-FINAL.pdf>)

<sup>5</sup> Visante Inc., "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers," Prepared for PCMA, February 2016.

(<https://www.pcmanet.org/wp-content/uploads/2016/08/visante-pbm-savings-feb-2016.pdf>)

<sup>6</sup> "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers," Visante, February, 2016

(<https://www.pcmanet.org/wp-content/uploads/2016/08/visante-pbm-savings-feb-2016.pdf>)