

# The (more) Complete PBM Picture

Senator William P. Coley, II

# PBM Performance Review – Finding 1

***The spread between what was billed to managed care plans and paid to pharmacies is 8.8 percent***

- For the first time, the total amount paid on average per prescription is known for pharmacies (\$59.19) and PBMs (\$5.70)
- Anecdotal examples of spread pricing created a perception that the margin of spread retained by PBMs was much greater, but those estimates were based on a small subset of prescribed drugs
- The HDS analysis is based on one full year of actual pharmacy claims, and calculates the total spread based on the total amount billed to the plans and the total amount paid to the pharmacies.

# The Spread in Context

	<i>Dollars in Millions except PMPM</i>		
A	HDS calculated "spread" - 2017	\$223.7	This is the total spread calculated in the HDS study
B	Total Drug Spending HDS	\$2,548.1	This is the total dollar amount included in the HDS study for 2017
C	Overall "spread"	8.78%	A divided by B
D	FY17 Generic Spend (non my care)	\$750.18	PMPM x 2.43 million members x 12 month/yr (adjusted for HDS total dollar amount)
E	FY17 Brand MCO Spend (non my care)	\$984.02	
F	FY17 Specialty PMPM (non my care)	\$813.90	

- What was not mentioned in the HDS report is that the vast majority of "spread" occurs on the generic drugs.
- Spread must be looked at relative to total **generic** spending.

G	Generic "spread"	29.82%	A divided by D - assumes all spread comes from generic drugs
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- When it comes to brand and specialty drugs, the PBM makes their money on rebates from the manufacturers, which we can ballpark from numbers provided to JMOC on 3/15

A	HDS calculated "spread" - 2017	\$ 223.70	This is the total spread calculated in the HDS study
H	Increase in Pharmacy Rebates on FFS	\$ 286.90	
I	Fee charged per script (now increased to \$0.17)	\$ 0.14	From 3/15/18 presentation from Dir. Sears to JMOC
J	# of Scripts	<u>39,267,983</u>	
K	Revenue from scripts	\$ 5.50	I times J
	Total PBM fees taken from manufacturer, pharmacy, taxpayer	<b>\$ 516.10</b>	A + H + K

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Total PBM fees taken from manufacturer, pharmacy, taxpayer	\$	516.10
Total Drug Spending HDS	\$	2,548.10
Revenues/Total Drug Spend		20.25%

- This doesn't even include the value of restricting dispensing of specialty drugs to own mail order pharmacies (32% of drug spend last year)

## PBM Performance Review – Finding 3

*Medicaid managed care PBM pricing saves Ohio taxpayers at least \$145 million annually compared to fee-for-service pricing*

- HDS compared the current prescription claim prices billed to the plans by the PBMs to the prices that would have been paid under the Medicaid fee-for-service methodology
- The Medicaid managed care pharmacy benefit also generates \$100 million in fees and revenue that further offset program costs, *resulting in total taxpayer savings of \$245 million annually*

# Fee-for-Service Comparison

Table: Estimated Pricing for MCP Claims if paid under the Medicaid-Fee-for-Service Methodology

Managed Care Plan	Total Price Billed to MCP by PBM	Estimated Medicaid Fee-For-Service Price Paid Dispensing Fee Model 1	Increase in Estimated Price Paid Dispensing Fee Model 1	Estimated Medicaid Fee-For-Service Price Paid Dispensing Fee Model 2	Increase in Estimated Price Paid Dispensing Fee Model 2
Buckeye Community Health Plan	\$300,993,309.56	\$312,348,117.25	\$11,354,807.69	\$312,726,009.49	\$11,732,699.93
Caresource	\$1,403,459,575.04	\$1,501,923,869.31	\$98,464,294.27	\$1,503,336,631.32	\$99,877,056.28
Molina Healthcare of Ohio	\$313,460,929.73	\$337,128,960.78	\$23,668,031.05	\$337,514,236.66	\$24,053,306.93
Paramount Advantage	\$249,840,344.87	\$262,077,602.75	\$12,237,257.88	\$259,072,590.74	\$9,232,245.87
United Healthcare Community Plan	\$280,353,588.41	\$280,407,312.44	\$53,724.03	\$280,604,857.37	\$251,268.96
<b>Totals</b>	<b>\$2,548,107,747.61</b>	<b>\$2,693,885,862.53</b>	<b>\$145,778,114.92</b>	<b>\$2,693,254,325.58</b>	<b>\$145,146,577.97</b>

- Taken out of context, without taking into account any benefits of switching to the model (as the HDS report points out itself)
- Page 7 of Report- “HDS would recommend a follow up analysis to determine if the potential increase in rebates would offset the increase in prescription claim costs in the FFS model and the prescription claims were carved out of the Managed Care Program. This analysis will provide a net quantification of the potential savings for ODM.”

# No Reference to Report Recommendations

- No analysis of these report findings from ODM even mentions the central pillar of any report: the recommendation.
- In this case, the recommendation to move to a pass-through model for PMB contracts.
- From Page 5 of the HDS report: “HDS is recommending that the MCPs move to a pass-through pricing option with their PBM in place of the traditional PBM contract with spread pricing.”
- “the overall **net decrease in prescription plan costs** for the MCPs would be **\$16,154,557.17** while **increasing the pharmacy reimbursement** by **\$191,038,145.91.**”



## Scope of Work

Contractor shall provide the Services and Deliverable(s) as follows:

1. The Ohio Department of Medicaid SFTP server will be utilized for all file transfers between the Ohio Department of Medicaid, Managed Care Plan's (MCP's), and HealthPlan Data Solutions (HDS). ODM will coordinate SFTP access with HDS to create their own folder space to transmit and receive files from. All files transmitted to the Ohio Department of Medicaid SFTP server from HDS will be made available to Ohio Department of Medicaid Pharmacy Benefit Manager (PBM) or the Managed Care Plan's (MCP's) through the Ohio Department of Medicaid SFTP server or its components.
2. File headers, data dictionary, and data values are validated for completeness, accuracy and format.
3. File(s) is/are mapped for alignment with the HDS system.
4. File(s) is/are uploaded into the HDS system.
5. Data is run against the HDS analytics engine using proprietary algorithms and market data values
6. The HDS system will analyze the data and determine the following:
  - a. The difference (spread) between the total amount paid by MCPs to the PBMs and the total amount paid to pharmacy providers by the PBMs. This will be further broken down by ingredient costs paid and dispensing fees paid by the MCPs and PBMs.
  - b. Calculate the extended Average Wholesale Price (AWP) discount for each prescription claim and the aggregate AWP discount for each medication classification (brand, generic, specialty) in the MCPs.
  - c. Provide a comparison of MCP **pricing** to the HDS benchmarks, client averages, and Medicaid Fee-for-Service pricing.
  - d. Provide a comparison of MCP **dispensing fees** to HDS market averages, client averages, and Medicaid Fee-for-Service pricing.
  - e. Reporting of any errors identified in drug classifications and calculate the effect on MCP pricing.
7. Validation of all results in step 6 by a second member of the HDS Pharmacy Audit team
8. The HDS system will provide a comparison of each MCP's performance in each of the categories analyzed in step 6 and provide the following additional values:
  - a. The average unit ingredient cost and average unit price paid for each Generic Product Identifier (GPI) code by MCP. The GPI values will be subcategorized as either multisource generics or brand name medications.
  - b. A comparison by GPI of the Managed Care Organizations (MCOs) **average unit price paid** to the HDS market average pricing and the Ohio Medicaid Fee for Service Plan pricing.
  - c. A comparison of the **MCOs average dispensing fees** to the HDS market averages and the Ohio Medicaid Fee for Service Plan pricing.
9. Validation of the results in step 8 by a member of the HDS Pharmacy Audit team
10. HDS Pharmacy Audit team will utilize the above analysis and calculations to determine the following for ODM:
  - a. The **total spread paid** by MCPs to the PBMs.
  - b. Comparison of the **aggregate discounts off AWP** and pricing paid by the MCPs to the PBMs and pharmacy providers.
  - c. A cost comparison for the current Managed Care Plan model and the projected costs using the Ohio Medicaid Fee for Service pricing model, incorporating both ingredient cost and dispensing fee projections.

# Review

- Spread is only one part of the equation in determining whether the current model with PBMs benefits the Ohio Taxpayer.
- The spread is only relevant to generic drugs, and in that context it is nearly 30%.
- Manufacturer rebates provide around \$280 million benefit to PBMS (per 3/15 JMOC presentation on fiscal impact of pharmacy carve out)
- Still don't have the full report, or all of the deliverables listed in the SOW.