



OHIO PHARMACISTS ASSOCIATION

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Testimony of Ernest Boyd
Joint Medicaid Oversight Committee
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Chairman Patton, Vice-Chair Romanchuk, Ranking Member Antonio, and members of the Joint Medicaid Oversight Committee, I am Ernest Boyd, the Executive Director of the Ohio Pharmacists Association. We greatly appreciate all of your efforts to create a more equitable payment system for prescription drugs.

Unfortunately, despite all of these efforts, the pharmacy benefit managers (PBMs) have continued to game the payment system to ensure that they remain quite profitable. Drug manufacturers simply ask the PBMs how much of a rebate they must pay to be placed on the formulary, or list of drugs allowed. Former FDA commissioner Scott Gottlieb characterized the rebate payments required by PBMs from manufacturers as kickbacks. The manufacturers then increase their prices to account for these rebates (or kickbacks) while also maintaining a huge profit. This pricing scheme ensures that local pharmacies remain unable to accurately calculate their reimbursement. It seems that the only entity being told that their reimbursement should involve no profit are local pharmacies.

The pharmacies are the businesses providing jobs in Ohio, direct provider services to small communities and large, and the only health provider that provides generally free advice on nights weekends and holidays. The pricing fiasco engineered by PBMs is literally destroying our network of pharmacies, that largely contributed to widespread Covid vaccinations, easy access to flu shots, and the most accessible healthcare professional, the pharmacist. Pharmacies are now providing 70% of the Covid vaccinations, but it is very hard for most pharmacies to stay open when PBMs are paying such low reimbursement that pharmacists make little or no profit on a large number of prescriptions. We are not looking to totally remove the enormous profits of PBMs and the pharmaceutical industry, but rather be sure that the pharmacists, who are providing free advice and care at local pharmacies in Ohio, be recognized as professionals and paid properly. This is critical for the health of Ohioans.

It has become clear that Medicaid PBMs often combine the Medicaid clawbacks with PBM programs from other government programs, and other non-Medicare clients. These clawbacks may take nearly 50% of the pharmacies normal profit. And the pharmacies are not aware of these takebacks until months after the dispensing of the medication.

The clawbacks, along with the direct and indirect remuneration (DIR) fees, combine to make a virtually impossible business situation for Ohio's pharmacists. No business can sign a blank contract, which is essentially what pharmacists have with PBMs, allowing them to pay any price they wish. They are now couching reimbursement cuts into a "generic effective rate". Again, these rates are impossible to calculate, and the confusing language lets the PBM pay below cost.

We are looking forward to the state of Ohio creating a fair reimbursement system that would involve the use of NADAC (National Average Drug Acquisition Cost) for product cost plus the fee determined by the state survey. Since product cost surveys of invoices are conducted by CMS, these prices are the most realistic.

Attached to my written testimony I have included some additional information from CMS regarding this pricing method.

Again, we greatly appreciate your work to try to bring fairness to this process. We will be glad to continue to work with you in this effort. I am happy to take any questions.

National Average Drug Acquisition Cost (NADAC) Questions and Responses

Why has CMS invested the resources to calculate a NADAC?

CMS anticipates that the NADAC files will give state Medicaid agencies covered outpatient drug information regarding retail prices for prescription drugs. State Medicaid agencies will be able to use this information to evaluate their own pricing methodologies and compare payments to those derived from this survey.

Why would CMS invest to survey pharmacies to collect invoice costs when pharmacies include this information on submitted claims?

CMS has developed the National Average Retail Price (NARP) and the NADAC to obtain ingredient cost information, along with information concerning retail survey price information. Pharmacy invoice prices available from surveyed pharmacies and the voluntarily supplied invoices provide documentation of the actual covered outpatient drug purchases. In addition, the majority of pharmacies do not submit invoice costs on pharmacy claims.

CMS is also responsible for submitting a report to Congress, which includes information on ingredient costs, rebates, and pricing trends.

The NADAC will be updated weekly - will it be published weekly as well?

Yes, we plan to continue publishing it on our website.