Remarks of Antonio Ciaccia
Ohio Joint Medicaid Oversight Committee, 6/26/25

Members of the Ohio Joint Medicaid Oversight Committee, my name is Antonio Ciaccia, and I am the CEO of 46brooklyn Research, an Ohio-based non-profit organization dedicated to making prescription drug pricing more transparent, understandable, and digestible to the public. I am also the president of 3 Axis Advisors, a consulting firm that works with fraud investigators, state attorneys general, provider groups, research firms, technology companies, law firms, investment analysts, employers, government agencies, benefit consultants, and health plans to diagnose and eliminate inefficiencies and misaligned incentives in the prescription drug supply chain.

Drug pricing is really complicated. We know why. With mystery comes margin, and within the drug channel, there's a lot of margin to be had.

Unfortunately, when we talk about the price of a drug, the actual price evades us as consumers. That's because there are many ways to quantify the price of a drug at various stages in its flow through the supply chain, and it can be different depending on who exactly is experiencing the price. Regardless, whether a drug has two prices or 64 prices, any time you have more than one price, there is no such thing as "the price." The lack of objectivity around what price is enables and empowers those who seek to take advantage of government-sanctioned or market-yielded latitude on the subjective invention of the end cost to the patient and plan sponsor.

Simply put, drug pricing lies aim to bury drug pricing truths.

Here in Ohio, we've learned a lot about the complexity of drug pricing – with a hyper focus on pharmacy benefit managers (PBMs) – thanks in large part to vocal pharmacists, thorough investigative journalism, and a relentless pursuit of accountability from state lawmakers, our state attorney general Dave Yost, and our Governor Mike DeWine.

Years ago, while I was working for the Ohio Pharmacists Association, I received an onslaught of complaints from pharmacies of all shapes and sizes that within our Medicaid managed care program, PBMs had subjectively slashed reimbursements to the point where as much as 80% of the pharmacy's gross margin within the program had evaporated. Hundreds of pharmacies across the state were closing in large part due to the unprecedented cuts.[1] In a long, drawn-out hunt for answers through our own analysis of CMS drug pricing data, the work of JMOC, and the Columbus Dispatch, we learned that the cuts to pharmacies never resulted in dollar-for-dollar savings to the state – in fact, the costs reported to the state by PBMs and managed care plans were actually increasing during a time of significant generic drug price deflation and massive cuts to pharmacy providers.[2] [3] [4]

Through the discovery of audits to the program, we learned that PBMs were maximizing the latitude to manufacture prices in the program through a practice known as spread pricing, where the PBM pays the pharmacy low, bills the plan sponsor (in this case, the state) high, and pockets the difference.[5] In our state's case, that spread was $244 million in just one year of the program.[6] [7]

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[1] https://stories.usatodaynetwork.com/sideeffects/stingy-pharmacy-reimbursements-leave-ohio-communities-on-the-brink/
[2] https://www.46brooklyn.com/research/2019/4/21/new-pricing-data-reveals-where-pbms-and-pharmacies-make-their-money
[3] http://jmoc.state.oh.us/assets/meetings/OptumasPresentation1.18.pdf
[4] https://stories.usatodaynetwork.com/sideeffects/
[5] https://stories.usatodaynetwork.com/sideeffects/cost-cutting-middlemen-reap-millions-via-drug-pricing-data-show/
[6] https://www.dispatch.com/news/20180627/drug-middlemen-charging-ohioans-triple-going-rate---or-more
[7] https://ohioauditor.gov/news/pressreleases/details/5042

Our state banned this practice and sued one of the companies engaging in the practice, but the problem of overinflated prices was never fully extinguished, as PBMs used their vertically aligned structure to push higher margins into specialty drugs that they can pressure or force patients to receive at pharmacies owned by the PBM, as well as work to overpay pharmacies relative to their contract and use what's known as effective rate clawbacks as a means to skirt around new pass-through pricing requirements imposed by state officials.[8] [9] [10] [11] [12] Even three years after the initial revelations of spread pricing, Ohio Medicaid revealed to JMOC in 2021 that the state's drug pricing data – as well as other states' Medicaid drug pricing data – was likely corrupted and untrustworthy due to PBM maneuvers to obfuscate the reporting of true net drug costs to the state.[13]

This proverbial cat-and-mouse game to just get an actual accounting of Ohio Medicaid prescription drug costs – combined with the perceived lack of ROI for what PBMs were pulling out of the program – were the impetus for change and eventually led to the creation of the single PBM model Ohio maintains today.

That said, not all PBMs engage in all of these costly tactics, and the PBM industry is not the only layer in the drug supply chain that include self-interested actors that seek to maximize their returns within their entrusted roles between patients and their medicines – our longitudinal research has shown that pricing arbitrage is a universally adored activity among drug channel participants – but as PBMs bill themselves as the only member within it working to lower prescription drug costs, and as they set incentives for the rest of the drug channel, it is imperative that PBM accountability be a central component of any endeavor aimed at controlling prescription drug spending.[14]

Financial incentives are what drive industry behavior, and the excess complexity of U.S. drug pricing, lack of transparency, and significant conflicts of interest within the drug channel create unlimited opportunities for gamesmanship and unwarranted cost inflation. So, if you don't like what you see as the output of the current drug channel, you must target a recalibration of the incentives – and those who create those incentives – if you are going to change the future output. This is the premise that Ohio's Medicaid PBM overhaul was built on.

That said, Ohio's road to pharmacy benefits reform in Medicaid has been bumpy and not without its challenges. And the road ahead requires further transparency, understanding, refinement, and nitpicking. That process should never cease. The same culture of scrutiny that led to the unravelling of the program of old should continue to guide your decisions for the program of today and of tomorrow.

As you consider your role as lawmakers and overseers of the public coffers, I understand and support the premise to question everything. If I've learned anything in my time studying the drug channel, it's to distrust but verify.

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[8] https://www.fiercehealthcare.com/regulatory/ohio-takes-action-after-finding-pbms-engaged-egregious-spread-pricing-medicaid
[9] https://www.ohioattorneygeneral.gov/Media/News-Releases/June-2021/Centene-Agrees-to-Pay-a-Record-$88-3-Million-to-Se
[10] https://stories.usatodaynetwork.com/sideeffects/dispatch-analysis-states-attempt-to-curb-drug-middlemen-mostly-futile/
[11] https://www.axios.com/specialty-pharmacies-drug-prices-medicaid-9f422bdb-4cb7-479b-a7da-a6ea02abb1e6.html
[12] https://www.dispatch.com/story/news/2021/10/03/ohio-law-lower-drug-prices-dodged-pharmacy-benefit-managers-pbms-health-care-clawbacks-legislature/5920613001/
[13] https://www.dispatch.com/story/news/2021/10/27/health-care-monopoly-raises-drug-costs-consumers-pharmacists-say-pbms-prescription-cvs-united-cygna/8513593002/
[14] https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2021/08/09/laws-for-prescription-drug-brokers-could-soon-have-teeth