

REPORT HIGHLIGHTS

Prescription Drug Pricing Under the Medical Assistance Managed Care Program

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The Prescription Drug Pricing Study subsection of Act 2020-120 directed the Legislative Budget and Finance Committee (LBFC) to provide an overview of the distribution of and payment for pharmaceuticals in the medical assistance managed care program. Highlights of our report include the following:

- ❖ **The distribution of and payment for pharmaceuticals in the Medical Assistance Managed Care Organization (MCO) program is complex and opaque in certain areas, such as contracting and pricing.** Due to the numerous entities involved in the distribution and payment of pharmaceuticals for Pennsylvania Medical Assistance enrollees including the U.S. Department of Health and Human Services, Center for Medicare and Medicaid Services; the Pennsylvania Department of Human Services; contracted managed care organizations; pharmacy benefit managers; pharmaceutical manufacturers; pharmaceutical wholesalers; and pharmacies, there is a web of interconnected parties that lead to Medicaid enrollees receiving their prescription drugs. Additionally, contracts between managed care organizations, pharmacy benefit managers, and pharmacies are not public, which makes determining appropriate price levels difficult.
- ❖ **In the review of one sample month of five selected drug transactions there were instances where the median ingredient cost reimbursement was higher for national chains.** In other cases, regional chains and local pharmacies received higher reimbursement. In many cases, the level of reimbursement was equal.
- ❖ **During our review of ingredient cost reimbursements for some plans, we saw different coding for maximum allowable cost rates depending on the pharmacy type.** While it did not impact the median reimbursement analysis, the lack of transparency regarding MAC pricing allowed for reasonable speculation.
- ❖ **In our review of one sample month, median dispensing fees varied greatly between Medical Assistance managed care plans, and all were less than the \$10 dispensing fee for the Fee for Service program during the same period.** For example, for 2020, the median dispensing fee for national chains in one plan was \$0.20 while in another it was \$9.00. For all other pharmacies in 2020, one plan's median dispensing fee was \$0.05 while for another it was \$9.00.
- ❖ **Our review of a selected sample of pharmacy contracts with Pharmacy Benefit Managers (PBMs) showed that contracted reimbursement rates varied between the different Medical Assistance Plans.** However, some PBMs were unwilling to provide their contracted rates, even though Act 2020-120 mandated that information deemed relevant must be provided to LBFC staff.
- ❖ **MCOs and PBMs must submit their reimbursement practices to DHS for review and approval before implementation.** In addition, any changes to an MCO's or PBM's reimbursement practices must be submitted to the Department of Human Services for Review and approval prior to implementing the changes.
- ❖ **Before implementation, an MCO or PBM must submit all payment methodology changes to DHS for review and approval.** According to the Department of Human Services, all MCOs and PBMs comply with the required payment methodologies in the department's HealthChoices contract.
- ❖ **As states have become increasingly reliant on PBMs to act as third-party administrators, there have been growing concerns over the regulation or oversight of how states manage their plans.** A particular area of concern for pharmacies is the PBM practice of utilizing multiple Maximum Allowable Cost lists to potentially issue different reimbursement rates to contracted pharmacies and non-contracted pharmacies.
- ❖ **Our Report contains three recommendations:**
 1. PBMs, MCOs, and Pharmacy Services Administrative Organizations (PSAOs) should ensure Maximum Allowable Cost reimbursement practices are transparent to pharmacies prior to claim adjudication.
 2. The General Assembly should require contracts between PBMs and pharmacies to be submitted to DHS and released to oversight organizations, e.g., the LBFC and the Auditor General, when conducting a study of the PBMs and/or pharmacies.
 3. The General Assembly should require all pharmacies participating in the Pennsylvania Medical Assistance Managed Care program to comply with any Department of Human Services request for information on pharmacy acquisition costs net of all discounts, rebates, chargebacks, and any other adjustments to the price of the drug, not including professional fees.



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