Pharmacy Costs and PBMs
Pharmacist Industry Perspective

May 2018

Matthew Magner, JD
Director, State Government Affairs
Who are we?

NCPA members are community-based health care professionals and entrepreneurs. NCPA members employ more than 250,000 individuals nationwide.

Independent pharmacists are uniquely positioned to customize solutions to health care challenges affecting local communities and employers.
Profile of community pharmacists

• 22,000 pharmacies nationwide
• Local employers
  • Contribute to the tax base
  • Provide civic leadership
• **80% are located in areas with populations <50,000**
  • Essential health care providers in underserved areas
  • Local health care problem solvers
Pharmacy contracts with PBMs

- 91% of prescriptions are covered by insurance
- PBMs control the pharmacy benefits of more than 266 million Americans
- 3 PBMs control as much as 89% of the market: 238 million lives out of 266 million lives\(^1,2\)

---

1: Mathematical calculation based on number of covered lives CMS/Caremark, UnitedHealth and ESI self-reported.
2: From testimony of PCMA CEO Mark Merritt before the U.S. House of Representatives Energy & Commerce Committee Subcommittee on Health, December 13, 2017
Impact on community pharmacies

- **Take-it-or-leave-it contracts**
  - The pharmacy does not set the patient’s price
  - The patient’s price is set by the patient’s coverage and PBM

- **Community pharmacy reimbursements often determined *by a competitor***
  - PBMs own or are affiliated with competing retail, mail-order, and specialty pharmacies
  - PBMs often require or incent patients to use the PBM-owned pharmacy

- **Maximum allowable cost (MAC) lists**
  - Underwater reimbursements
PBM impact on patients

• Pharmacy choice
• Mail order/prevention of delivery services
• Copay clawbacks
• Limits on pharmacy disclosure ("gag clauses")
• Retroactive fees
Patient out-of-pocket costs are way up...

Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.
Impact on payers

• No fiduciary responsibility
• “[Express Scripts] was not ‘contractually obligated’ to contain costs.”
State efforts to increase transparency

- **West Virginia**: projected to save $30 million by carving pharmacy benefits out of Medicaid managed care program
- **Louisiana**: Terrebonne Parish Council saved $1.2 million
- **Arkansas**: enacted legislation allowing Insurance Commissioner to have oversight over provider networks
- **Kentucky**: in MMC program, PBMs are making $380 million off of the spread; passed SB 5, which requires greater PBM transparency
- **Virginia and Georgia**: requires managed care organizations to make certain disclosures regarding pharmacy costs
- **Ohio**: state auditor and Department of Medicaid looking into PBMs’ use of tax dollars in the MMC program
Matthew Magner, JD
Director, State Government Affairs

matthew.magner@ncpanet.org
703.600.1186