



Reform Medicaid Managed Prescription Program to Protect Taxpayers, Vulnerable Patients and To Preserve Their Pharmacy Provider Access

Ban PBM Medicaid “Spread Pricing” by Mandating Transparent, Cost-Based, “Pass-Through” Pharmacy Claims Payments

The Policy Problem – Medicaid Managed Care Rx PBMs overcharging Medicaid, Risking Patient Access

PBMs claimed to save state Medicaid programs money by taking over (“carving in”) Medicaid prescription drug benefits, but a decade of facts show otherwise as Medicaid Managed care drug spending has increased beyond PBM projects while pharmacies are seeing reduced payments. This phenomenon - known as “spread pricing” is costing the federal and state governments over a billion dollars. Additionally, these reduced pharmacy payments are harming vulnerable Medicaid patients with reduced access to Medicaid prescriptions or even seeing their pharmacies close.

Over seventeen studies¹ of State Medicaid Managed care (MMC) prescription management programs documented Medicaid Managed Care Organization (MMCO) PBMs overbilling State Medicaid programs, through below costs pharmacy reimbursement and spread pricing, up to \$ 123.5 million annually. In 2017, when West Virginia acted to protect its taxpayers and Medicaid patients’ pharmacy access by switching (“carve out”) its Medicaid prescription benefit back into the state-controlled fee for service program, **West Virginia saw a NET savings in its Medicaid prescription costs in the first year of \$54.4 million**. To protect taxpayers and Medicaid patients access to their pharmacy providers, twelve states² now mandate MMC use transparent, cost-based pass-through prescription reimbursement rates, saving nearly \$1.3 billion. The Centers for Medicare and Medicaid Services (CMS) stated that MMCO PBMs use of “spread pricing is inflating prescription drug costs that are borne by beneficiaries and by taxpayers” and sent guidance to the states eliminating spread pricing in Medicaid managed care. Two HHS Inspector General reports that this lack of transparent, cost-based pass-through pricing is leading to Federal and State Medicaid managed care overpayments for high-cost specialty drugs.³ And 18 states have settled Medicaid fraud suits against one MMC PBM for \$947.7 million in MMC prescription drug overbilling.⁴

The Solution: Congress Must Enact A MMC Rx “Spread Pricing” Ban Through Mandatory Rx Claim Cost Based Payment Formula

With this Congress making drug pricing reduction a priority, federal legislation to end Medicaid Managed care overbilling, “The Drug Pricing Transparency in Medicaid Act” (H.R. 1613 [Reps. Carter and Gonzalez]/ S. 1038 [Sens. Welch and Marshall]) has been included in House passed (H.R. 5378) and Senate Committee reported (S. 2973 & S. 3430) drug pricing bills this Congress that mandates all state MMC prescription programs:

- Prohibit MCO use of “spread pricing” for MMC prescription drug benefit programs; and
- Mandate State MMC program contracts utilize cost-based Rx reimbursement formulas (i.e., NADAC and a professional fee)
- Limit MMC PBM payments to state approved administrative fees
- Mandate all NADAC reporting to CMS by all pharmacies

CBO estimates this MMC prescription “spread pricing” ban provision will save the Federal Government alone over \$ 2 billion.⁵

IPC asks Congress during the lame duck session to pass, “The Drug Pricing Transparency in Medicaid Act” (H.R. 1613/S. 1038) to end Medicaid managed care prescription “spread pricing” by mandating State MCO contacts use transparent, cost-based, pass-through prescription reimbursement formulas in “must pass” legislation.

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¹ FL, GA, IL, KY, LA, MA, MD, MI, NJ, NY, OH, OR, PA, TX, VA, UT, WV

² AR, GA, IA, KS, KY, LA, MI, MS, NE, NM, NC, OH, OK, WV, CA, NY and ND have “carved out” their Medicaid Rx benefit from MMC, saving millions.

³ <https://oig.hhs.gov/oei/reports/OEI-03-17-00430.asp> <https://oig.hhs.gov/documents/evaluation/9898/OEI-03-20-00560.pdf>

⁴ <https://californiahealthline.org/news/article/centene-investigation-california-215-million-dollar-settlement-alleged-medicare-overbilling/>

⁵ www.cbo.gov/system/files/2023-07/59419_PBM_DiscDraft.pdf www.cbo.gov/system/files/2023-11/SFC_MentalHealth_ChairMark_11-6-23.pdf

