

The Need for Comprehensive State & Federal Reform of Medicaid Managed Care Prescription Drug Programs

Background on Medicaid Managed Care PBM Prescription Claim Cost Overbilling

State Medicaid programs began moving pharmacy benefits into Medicaid managed care (MMC) programs in the early 2010's. Then states discovered a systematic pattern of MMC Pharmacy Benefit Managers (PBMs) overbilling state Medicaid programs through excessive administrative charges, spread pricing & other hidden costs. These practices result in increased per capita payments for state Medicaid programs which created excessive profits for PBMs and the MCOs. These PBMs also reimburse pharmacies less than their total cost to dispense Medicaid Managed Care Rx claims, restricting or eliminating Medicaid patients' access to care.

States MMC Rx Reform Approaches

In the past 10 years, of the 36 States that have their Medicaid prescription benefit program “carved in” to managed care programs, the following states have taken these steps to address or reform the PBM’s **\$3.044 BILLION** in Medicaid overbilling:

- **4 states (CA, ND, NY, WV)** enacted a “carve out” to their Medicaid prescription benefit program from MMC back into their Medicaid Fee for Service (FFS) Program and have saved **\$1.4884 BILLION ANNUALLY**
- **16 states (GA, IA, KS, KY, LA, MI, MN, MS, NC, NE, NM, NV, OH, OK, SC, VA)** have enacted or implemented an actual cost reimbursement mandate for MMC prescriptions which save taxpayers a minimum of **\$1.37 Billion ANNUALLY**
- **14 states (FL, GA, IL, KY, MD, MI, NJ, NY, OH, OR, PA, TX, UT, VA)** and the District of Columbia have conducted studies related to Medicaid Managed Care prescription claims practices – documenting MMC Rx overbilling practices of over **\$1.3 Billion ANNUALLY**
- **13 states (FL, HI, IL, IN, MA, MD, NJ, OR, PA, RI, TX, UT, WA)** have introduced legislative and/or administrative reforms to address MMC PBM overbilling

So far, in the 20 states that enacted MMC Rx reforms through either a FFS carve out or mandated actual Rx cost reimbursement formulas have seen or budgeted to save nearly \$2.76 BILLION ANNUALLY in Medicaid prescription drug cost dollars even while paying pharmacies more to protect and enhance Medicaid patients’ Rx access.

Strengthening State Oversight of PBM Rx Claims in Medicaid Managed Care

Investigations into Medicaid managed care prescription drug overbilling led 19 state Attorneys General to sue Centene for Rx fraud, resulting in \$1.04 billion in settlements. An additional nine states are pursuing similar cases, for which Centene has set aside at least **\$1.5 billion for settlements**.

States & Congress Must Enact Medicaid Managed Care Prescription Drug Reforms

- 20 states already enacting Medicaid managed care (MMC) prescription drug reforms.
- 19 states reached MMC Rx fraud case settlements.
- 2 HHS Inspector General reports calling for action to curbs PBM overbilling in “carve-in” Medicaid Rx programs.
- 16 states without MMC Rx reforms must act.

Congress must also act by passing legislation to mandate these reforms nationwide, establishing permanent federal protections for this vital Medicaid benefit.