

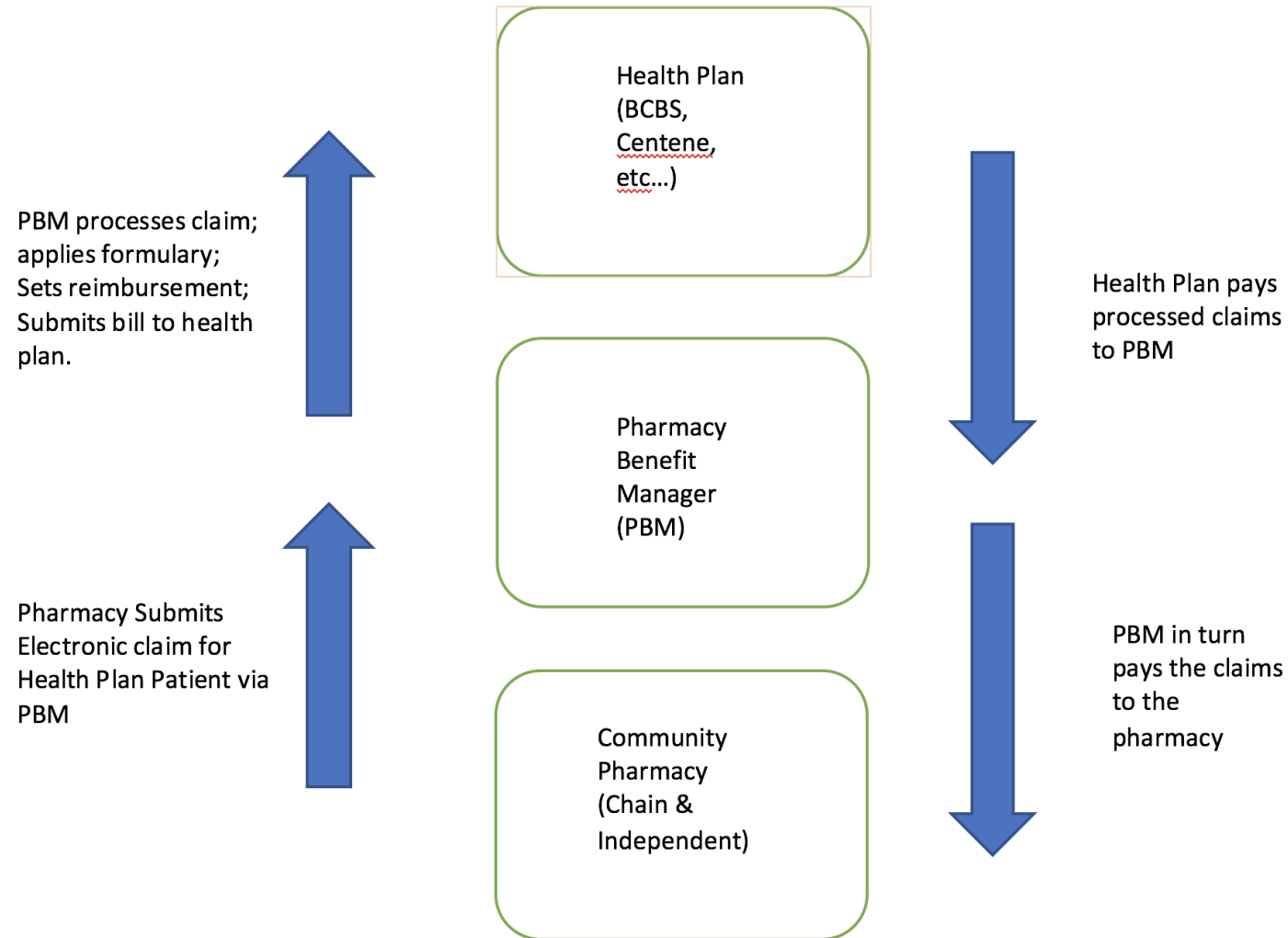
# PBMs – The Arkansas Case Study

SCOTT PACE, PHARM.D., J.D.

ARKANSAS PHARMACISTS ASSOCIATION

# Basics of PBM Functions

## Basics of PBM Functions



# First of the Year Changes- Arkansas

- ▶ Largest Health Plan operating in state exchange abandoned transparency at the beginning of 2018 and moved to “spread” model;
- ▶ In a transparent model, the amount charged to the Health Plan is the amount paid to the pharmacist. The PBM charges the Health Plan either a Per Member Per Month fee or a Per Claim Transaction Fee to perform their service;
- ▶ In a spread model, the amount charged to Health Plan is greater than the amount paid to the pharmacist. The PBM charges the Health Plan a minimal, if any fee to perform their service; instead, the PBM keeps the spread.

# First of the Year Changes, cont.

- ▶ Data started coming into our office showing the Patient's Explanation of Benefits from the Health Plan's website

CHLORPROMAZINE HCL 100MG TABLET      FILL DATE: 01/22/2018  
██████████  
R ██████████ Qty 90 Supply 30 days Pkg 100

TOTAL PRESCRIPTION COST \$1,005.37   ←      YOUR PLAN(S) PAID \$1,005.37

This prescription is eligible for your FSA (flexible spending account) and Medicare.

PBM only paid pharmacy \$431.81 ---  
*a spread of \$573.56*

- ▶ Incentive is to charge Health Plan more & pay pharmacy as little as possible to make the spread bigger.
- ▶ During first 3 weeks of the year, the data we collected showed that the spread was *MORE* than the *total* amount paid to the pharmacies.

# Virginia Example

- ▶ December 1, 2017 report to the Virginia General Assembly analyzing spread practices in Virginia's Managed Medicaid plans;
- ▶ Report looked at one quarter of data;
- ▶ Average Spread of \$22.72 per prescription for a total spread of almost \$14M in just one quarter

# Kentucky Example

## Bill Would Let Kentucky Take Over Medicaid Pharmacy Benefits

Feb 14, 2018

Some Kentucky lawmakers want the state to take over Medicaid's pharmacy benefits because they say the current system harms independent pharmacies in rural areas.

**AP**

By ADAM BEAM, Associated Press

FRANKFORT, Ky. (AP) — Max Wise wants to know where \$600 million went.

The Republican [Kentucky](#) state senator says independent pharmacies in his rural central Kentucky district are in danger of closing, in part because of low reimbursement rates from Medicaid. He says the joint state and federal Medicaid program spent \$1.68 billion on pharmacy benefits last year, of which about \$1 billion went to pharmacies.

But the rest of the money went to pharmacy benefit managers, who won't say how they spent it. Wednesday, a Senate committee overwhelmingly approved a bill that would take that money from the pharmacy benefit managers and give it to the state to administer its own pharmacy benefits program.

- \$1.68B paid out for pharmacy benefits last year in Kentucky Medicaid
- \$1B went to the pharmacies
- Over \$600M went to the PBMs in spread
- Approx 40% administrative fee

# Why does the spread matter to policy makers?

- ▶ Medical Loss Ratio (MLR) manipulation;
  - ▶ Hiding administrative fee in clinical claims is not permitted by federal reg; (push to vertically integrate)
  - ▶ Keeps level playing field competition from happening;
  - ▶ Can deny policy holders rebates that are owed under the ACA's MLR requirements
- ▶ Directly related to premium rates for plans in exchange or in the fully insured market;
  - ▶ If paid claims are reflected artificially higher, then carriers can use that to make case for rate increases unnecessarily
- ▶ Extracts dollars out of most of your states away from policy holders and providers

# Anticompetitive Practices- Passive Contract Addendums

CVS caremark®

Network Update  
January 15, 2018

## D. Termination Without Cause

### Effective:

January 1, 2018

In the "Network Participation and Payment" section of the Provider Manual, the "Termination Without Cause" sub-section (on page 38) is amended to replace an incorrect word. The sub-section is amended to read as follows (change is underlined below for reference and emphasis only):

#### Termination Without Cause

Unless precluded by applicable Law, Caremark may at any time terminate the Provider Agreement without cause or terminate Provider from providing Provider Services to specific Plans without cause upon a notice to Provider, regardless of the network(s) in which Provider participates.

Unless precluded by applicable Law, Provider may terminate the Provider Agreement without cause upon thirty (30) days' prior written notice to Caremark provided, however, that if applicable Law or a Caremark network or a Plan Sponsor network requires a longer notice period, the Provider Agreement shall not terminate until the expiration of such longer period. Unless precluded by applicable Law and except as otherwise may be required with respect to any Caremark network or a Plan Sponsor network, Provider may terminate participation in any Caremark network or a Plan Sponsor network upon thirty (30) days' prior written notice to Caremark, specifying the date of termination and the names of the Caremark network(s) or Plan Sponsor network(s) in which Provider will no longer participate. Absent the prior written consent of Caremark, Provider may not elect to participate in a Caremark network or a Plan Sponsor network, for thirty (30) days or until the next solicitation period for that Caremark network or Plan Sponsor network, whichever is longer, to the extent consistent with applicable Law.



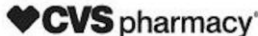
# Anticompetitive Practices- Gag Clauses

records to an electronic format that replicates the original prescription for the remaining years of the ten (10) year retention period. In the case of a request by a Government Party for the direct disclosure by Provider to the Government Party of Records, Provider shall (1) provide Caremark with prompt written notice of the Government Party's request so that Caremark can object or intervene as it deems proper; and (2) take all appropriate steps to protect the confidentiality of the Records, including labeling it "CONFIDENTIAL AND PROPRIETARY – FOIA EXEMPT" and attaching a statement provided by Caremark explaining the application to the Records of any Freedom of Information Act or other exemptions to disclosure; and (3) provide Caremark with the opportunity to review the Records that is subject to disclosure to the Government Party prior to Provider's release of same to the Government Party. Provider also agrees to maintain records and provide access in accordance with 42 C.F.R. 423.505(b)(10)."

# Anticompetitive Practice – Self Payment & Competition Elimination

- Analysis of 272 Claims in late January and early Feb 2018
- Major PBM paid themselves \$63.51 per prescription more than locally owned pharmacies

	CVS/Caremark	Independent Pharmacy
Bupripriion XL 150mg	\$46.62	\$10.28
Ezetimibe 10mg	\$113.34	\$14.48
Hydroxychloroquine 200mg	\$184.39	\$23.65
Tamsulosin 0.4mg	\$16.63	\$2.74

 Kenny Sanders  
Call me anytime at:  
1-205-690-4952

Ever wondered what your pharmacy business is worth? If so, we should talk.

I'm a pharmacist myself. I know what independents are experiencing right now: declining reimbursements, increasing costs, a more complex regulatory environment.

Mounting challenges like these make selling your store to CVS Pharmacy® an attractive and practical option.

**I can help you understand what your store is worth.**  
Whether you're considering selling right now or in the future, it's simply good business to know the facts. I can answer all your questions and give you a good idea how much your store is worth.

**We'll take care of your patients.** You can rest easy knowing we will remain in the same location and continue to provide the same level of high quality care as you did.

**We always need strong professionals.**  
Our goal is to bring as many of your employees into the CVS Pharmacy family as possible. We provide competitive salaries and comprehensive benefits.

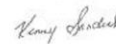
**We can help make the acquisition process easy.**  
I'll work with you throughout the process and help you every step of the way. We want to work with you to maintain the level of service you worked so hard to create.

**Why CVS Pharmacy is a comforting choice.**  
Our reputation for helping people on the path to better health is well known. We were the first national retail pharmacy chain to stop selling cigarettes. We answered the urgent need for a low-cost epinephrine auto-injector. Whether it's questions about drug interactions or lower cost generics, we're here for your patients. You couldn't leave your pharmacy in better hands.

Call me today at 1-205-690-4952 or visit [cvs.com/pharmacyvalue](http://cvs.com/pharmacyvalue) to find out more. We can meet at your convenience, even outside business hours.

You've put a lot into your pharmacy. Maybe now's the time it pays you back.

I look forward to speaking with you soon.

Sincerely,  


Kenny Sanders  
Regional Director of Acquisitions  
You can reach me at 1-205-690-4952.


# Additional Dollars Driving Up Healthcare Costs



MS. BRESCH  
MYLAN, Inc

EpiPen® Auto-Injector Estimated Profitability

Wholesale Acquisition Cost Price	\$608
- Rebates & Allowances	- \$334
Mylan Revenue	\$274
- Cost of Goods Sold	- \$ 69
	\$205
- Direct EpiPen® Auto-Injector Costs	- \$105
Mylan Approx. Profit per Two-Pack	\$100
Mylan Approx. Profit per Pen	\$ 50



All leads to the need for  
comprehensive,  
state-based oversight



Thank you

[SCOTT@ARRX.ORG](mailto:SCOTT@ARRX.ORG)