



# MCO PBM Audit Report

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# Agenda

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- Background
- Independent Audit
- Findings
- Next Steps

# Background

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- HB 1290 – 2015
  - Requires Maryland Medicaid (MA) recipients, who are enrolled in a managed care organization, have reasonable access to pharmacy services and is the statutory basis for introducing pharmacy benefit managers (PBMs) to Maryland.
- 2018-2019 MDH received concerns from small pharmacies
  - In response, MDH held meetings with the Maryland Insurance Administration and small pharmacies for risk assessment
- 2018 - MDH conducted research on the PBM landscape
- 2019 - HB 589, HB 754, HB 759 were passed

# HB 589 Independent Audit - Phase 1

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- MDH contracted with Myers & Stauffer to collect and review
  - Contracts between MCOs and PBMs
  - Contracts between PBMs and Pharmacies (sample)
  - Claims data from MCOs/PBMs
  - Questionnaires completed by PBMs
- Conclusion
  - All MCOs/PBMs used spread pricing model in 2018

# Independent Audit - Phase 2 and 3

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- Phase 2 - Detailed claim analysis and conclusion
  - Validated accuracy of claims data from MCOs/PBMs
  - Completed by October
- Phase 3 - Reporting and analysis
  - Performed detailed claims spread pricing analysis
  - Completed by November
- December 1, 2019 – Report due date as required by HB 589.

# Audit Findings

Spread Pricing – MCO/PBM*					
Total Number of Paid Claims	MCO Payments to PBM	PBM Payments to Pharmacies	Payment Amount Difference (“spread”)	Payment Difference Per Claim (“spread”)	Spread as Percent of MCO Payment to PBMs
10,329,818	\$690,356,668	\$618,503,885	\$71,852,783	\$6.96	10.4%

- All 9 MCOs engage in spread pricing, totaling \$72 million.
- \$72 million spread includes remuneration to PBMs for the services they provide to MCOs (including overhead and fees), as well as their profit.

# Findings – Average Spread by Pharmacy Type

Average Payment Per Claim				
Pharmacy Type	MCO to PBM	PBM to Pharmacy	Average Difference Per Claim (“spread”)	Spread as Percent of MCO Payment to PBMs
Chain	\$64.43	\$57.32	\$7.11	11.0%
Independent	\$71.75	\$65.24	\$6.51	9.1%
Other	\$85.58	\$77.42	\$8.16	9.5%
<b>All Pharmacy Types</b>	<b>\$66.83</b>	<b>\$59.88</b>	<b>\$6.96</b>	<b>10.4%</b>

# Findings – Average Spread by Pharmacy Location

Average Payment Per Claim				
Pharmacy Location	MCO to PBM	PBM to Pharmacy	Average Difference Per Claim (“spread”)	Spread as Percent of MCO Payment to PBMs
In-state urban	\$51.05	\$44.12	\$6.93	13.6%
In-state rural	\$40.91	\$36.08	\$4.83	11.8%
Out-of-state or unknown location	\$365.50	\$355.83	\$9.67	2.6%
<b>All Pharmacy Types</b>	<b>\$66.83</b>	<b>\$59.88</b>	<b>\$6.96</b>	<b>10.4%</b>

# Findings – Average Spread by Drug Product Type

Average Payment Per Claim				
Drug Product Type	MCO to PBM	PBM to Pharmacy	Average Difference Per Claim (“spread”)	Spread as Percent of MCO Payment to PBMs
Brand/non-specialty	\$232.78	\$228.41	\$4.37	1.9%
Brand/specialty	\$6,818.29	\$6,689.23	\$129.07	1.9%
Generic/non- specialty	\$18.45	\$12.34	\$6.12	33.1%
Generic/specialty	\$761.99	\$555.68	\$206.32	27.1%
<b>All Products</b>	<b>\$66.83</b>	<b>\$59.88</b>	<b>\$6.96</b>	<b>10.4%</b>

# Small Pharmacies Analysis

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- Claim - PBMs pay below cost
- Ask - Pay Small Pharmacies FFS rate
- Plotted Store openings and closings in 2016 – 2018
  - No County suffered net loss
  - Net increase was 58 small pharmacies
- Mapped small and large pharmacies by County
  - 93% of small pharmacies – urban/suburban areas
  - 7% of small pharmacies – rural areas

# Next Steps

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- MCO contracts CY 2020
  - Eliminate spread pricing CY 2021
  - Transparent reimbursement model/administration fee CY 2021
- Options
  - Option 1 – Direct the MCOs to pay only small pharmacies, in Maryland, enrolled in Medicaid and located in rural areas an access fee of \$5.00 per claim.
    - Requires approval by the CMS (for FFP) and DBM (for state funds).
  - Option 2 – Same as option 1 but for all (440) small pharmacies in Maryland that are enrolled in Medicaid.
    - Requires approval by CMS (for FFP) and DBM (for state funds).
  - Option 3 – The General Assembly can pass legislation requiring MDH to establish an access fee of \$5.00 per claim for all small pharmacies enrolled in Medicaid and located in Maryland.

# Q and A

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