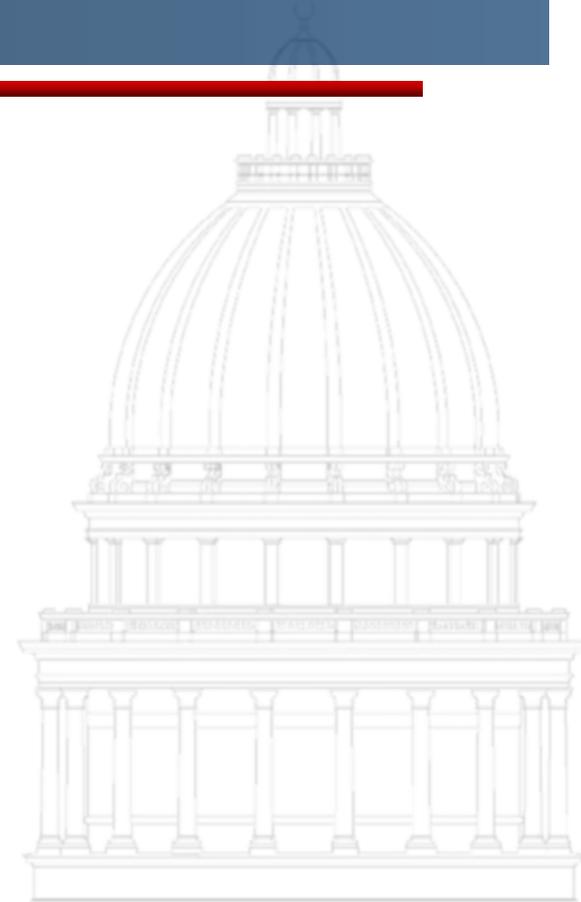
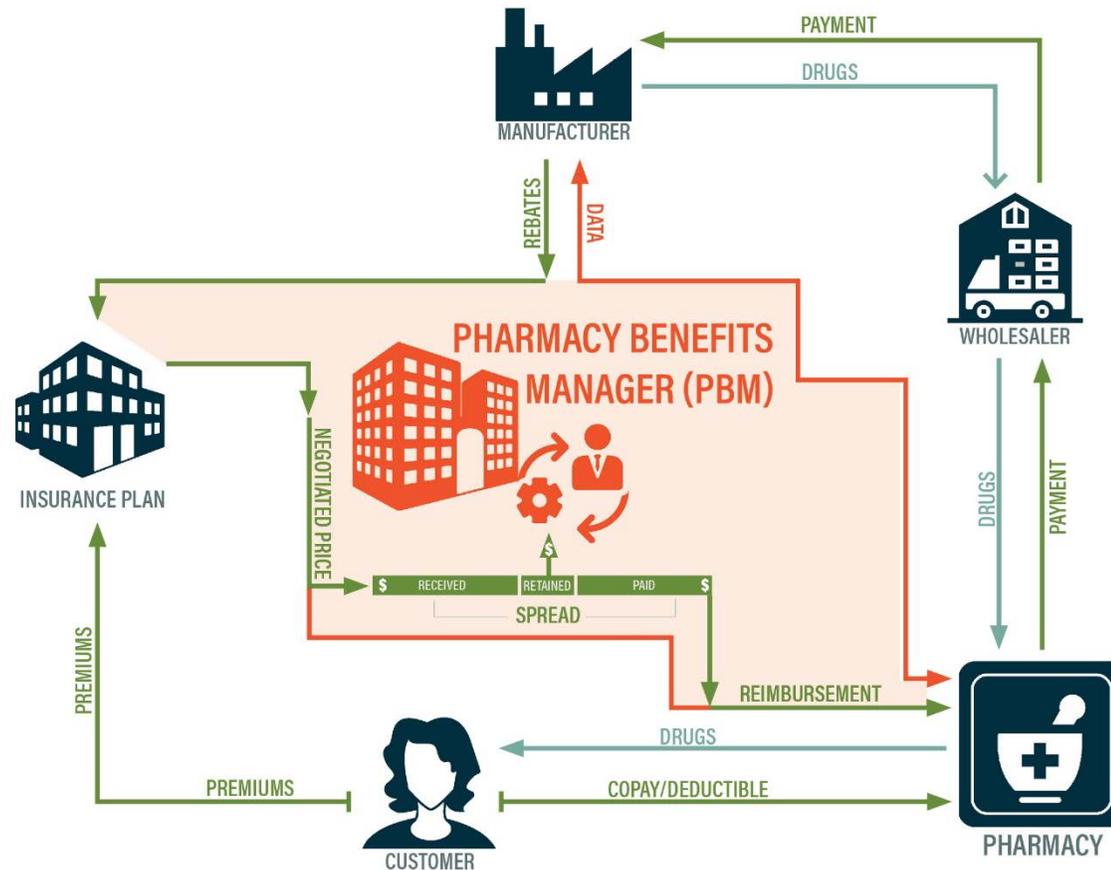

Performance Audit of PEHP's Pharmacy Benefit Manager

**Presentation to the Retirement and
Independent Entities Appropriations
Subcommittee
January 27, 2020**

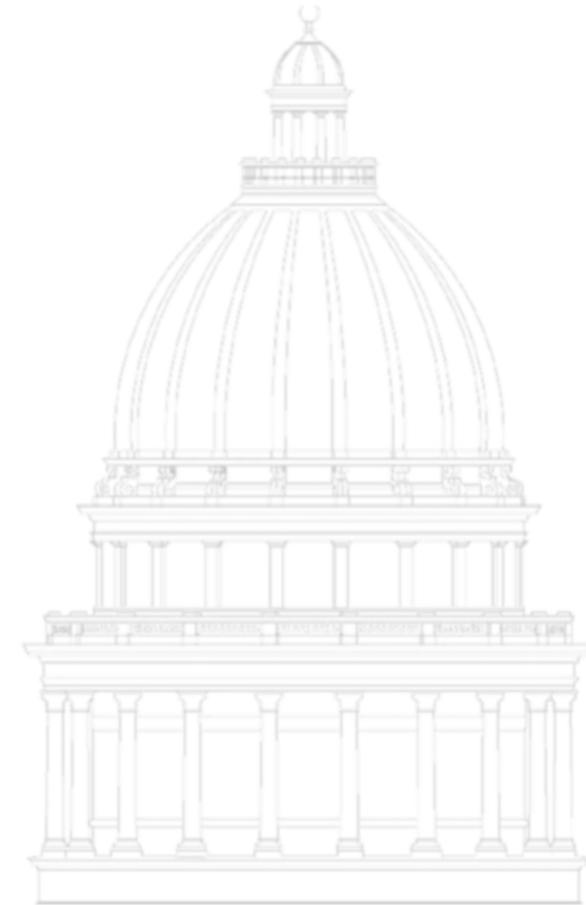


PBMs Play a Central Role in the Pharmacy World



FOR MORE INFORMATION

See page 3



Transparent Contracts Provide Minimal Additional Information to Plans



Traditional

No per-claim administrative fee

PBM retains difference between amount charged to plan and amount reimbursed to pharmacy (spread)

No visibility into individual rebates



Transparent

Per-claim administrative fee, approximately \$1

Amount charged to the plan matches reimbursement paid to the pharmacy

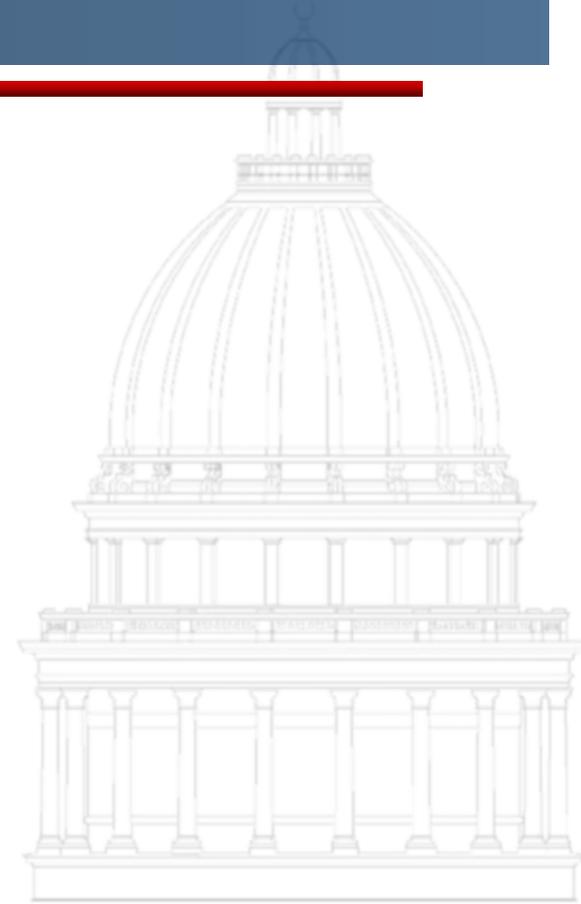
No visibility into individual rebates

FOR MORE INFORMATION

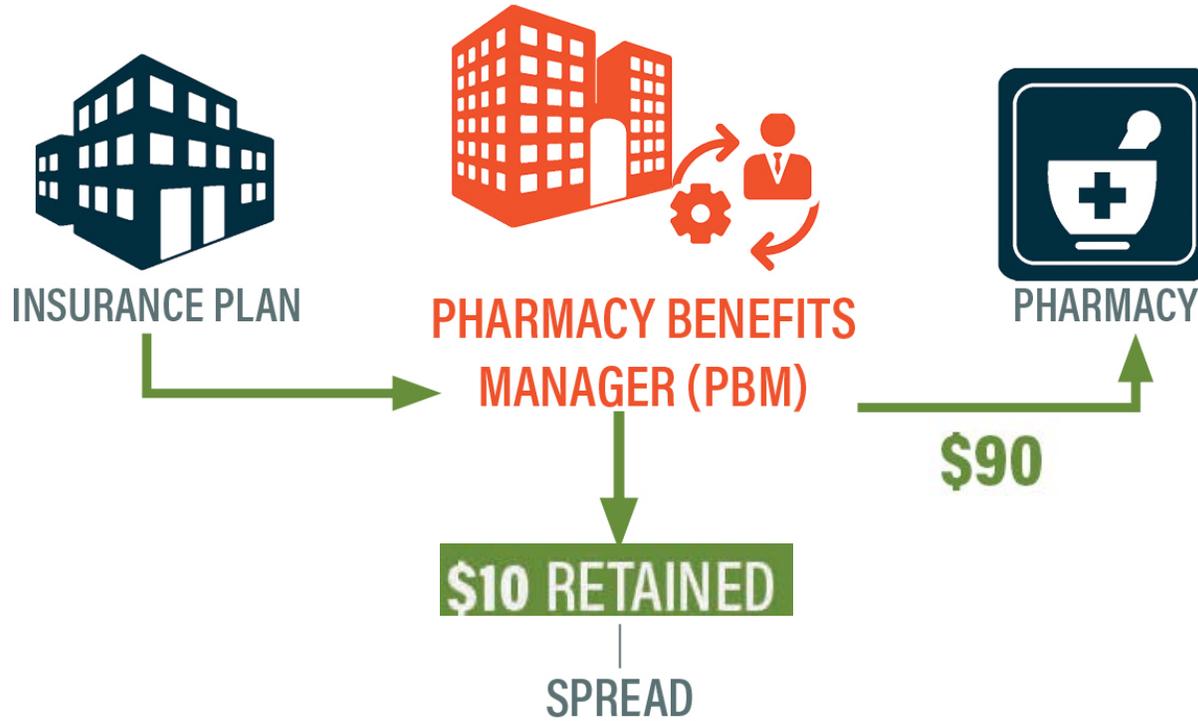
See pages 6-7

Chapter II

True Drug Costs Are Hidden by PBM and Manufacturers' Practices

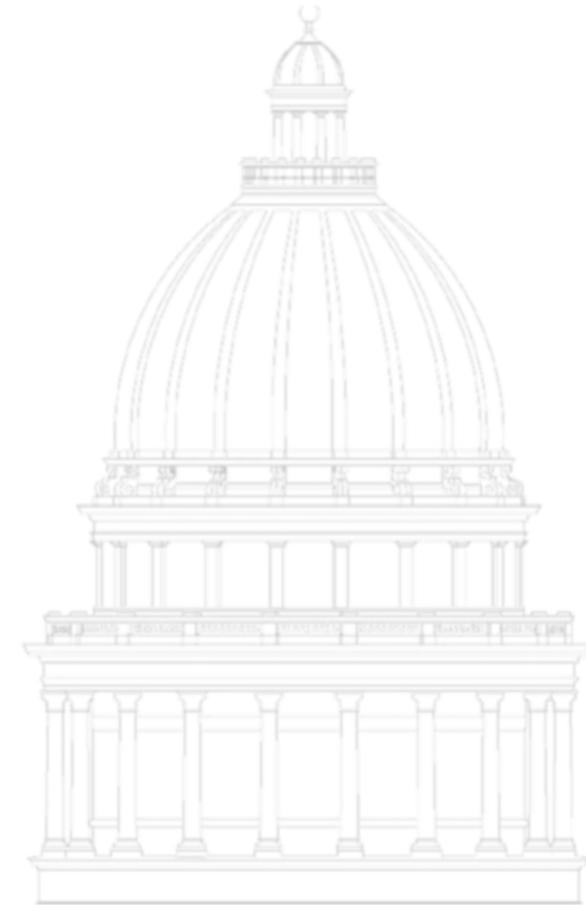


Spread Pricing Is One Way PBMs Earn Profit and Is Often Misunderstood



FOR MORE INFORMATION

See pages 12-13



PEHP Spread Pricing Was 7 Percent in 2018

	Generic		Brand		Overall	
	Percent	Avg. Amount	Percent	Avg. Amount	Percent	Avg. Amount
2014	7.56%	\$1.69	-2.04%	\$(8.11)	0.56%	\$0.40
2015	9.49	2.55	-0.90	(4.39)	1.98	1.67
2016	11.16	3.40	0.14	0.78	3.26	3.07
2017	22.40	8.32	2.43	14.59	8.86	9.04
2018	24.44%	\$8.18	0.49%	\$3.33	6.92%	\$7.60

FOR MORE INFORMATION

See page 14

PEHP Spread Pricing Was 7 Percent in 2018

Generics

- \$8.18
- 24%



Brand

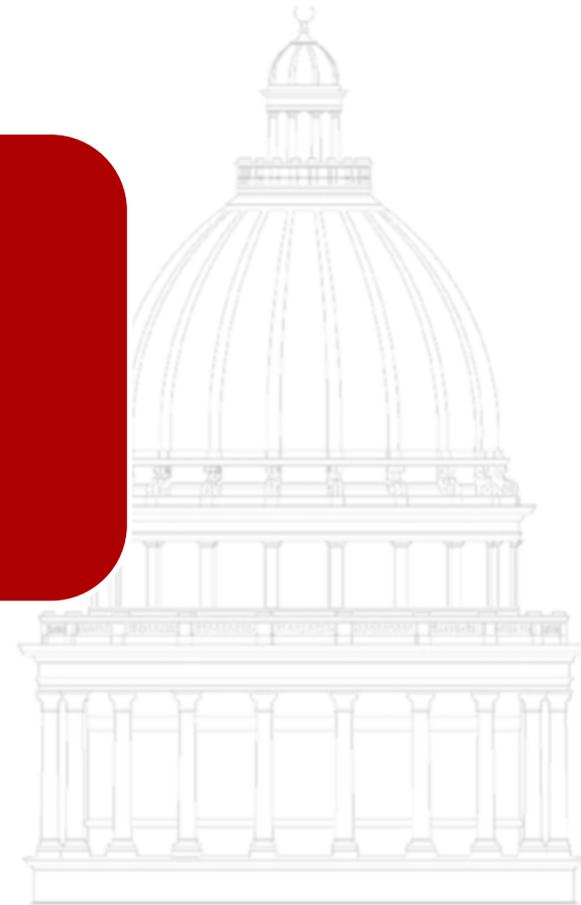
- \$3.13
- 0.49%



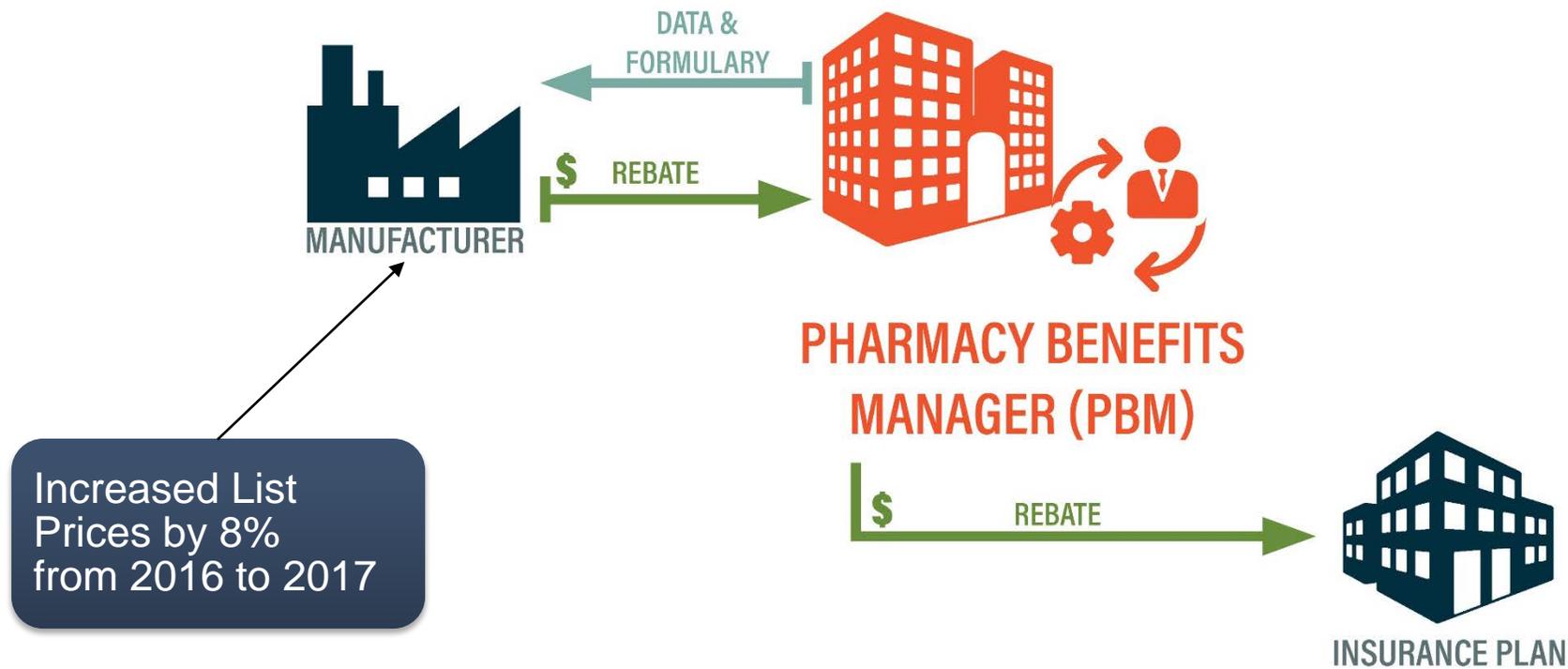
Estimated
total of \$6.1
million

FOR MORE INFORMATION

See page 14

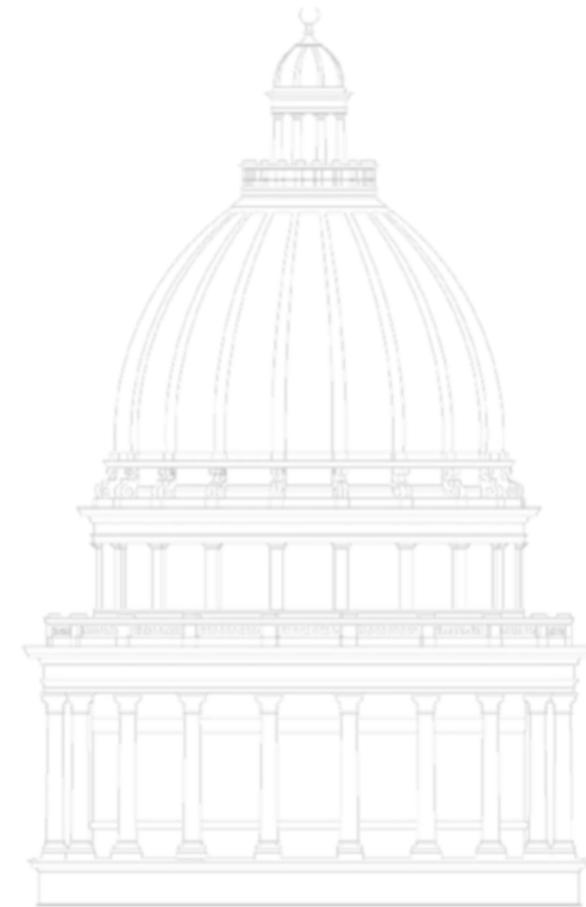


ESI Rebates Are Not Keeping Pace with Manufacturers' Price Increases

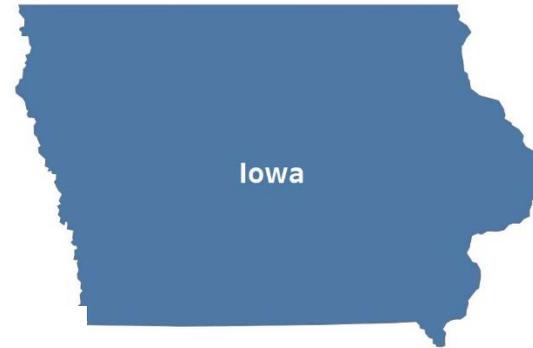


FOR MORE INFORMATION

See pages 16-17



Other States Are Using Audits and Legislation to Deal with Opaque PBM Process



FOR MORE INFORMATION

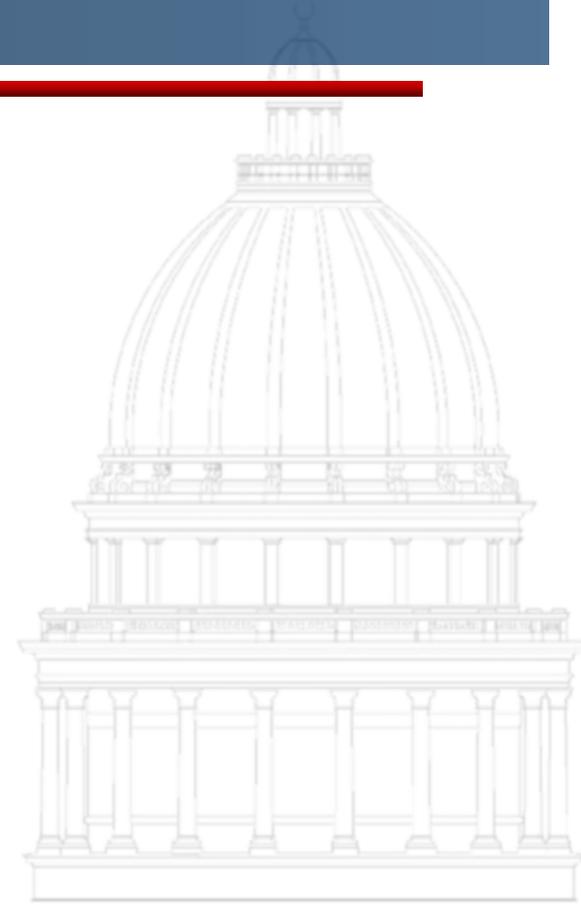
See pages 18-19

We recommend that the Legislature consider requiring manufacturers to share the wholesale acquisition cost for drugs on a quarterly basis with the Legislature.

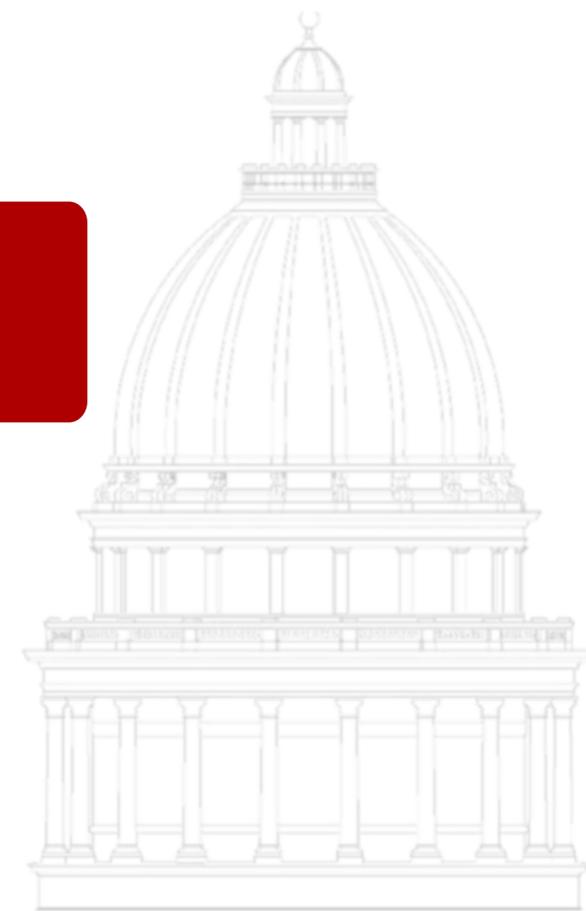


Chapter III

PEHP Needs Transparency from ESI to Maximize Savings



Transparent Contracts Were More Expensive Than Traditional Contracts in PEHP's Bid Process



FOR MORE INFORMATION

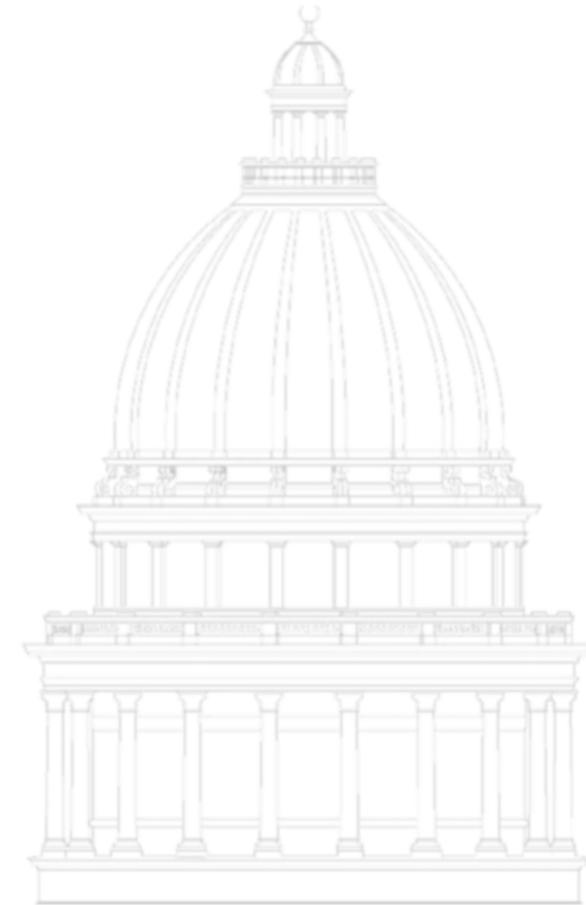
See page 22

PEHP's Cost Management Strategies Are Effective

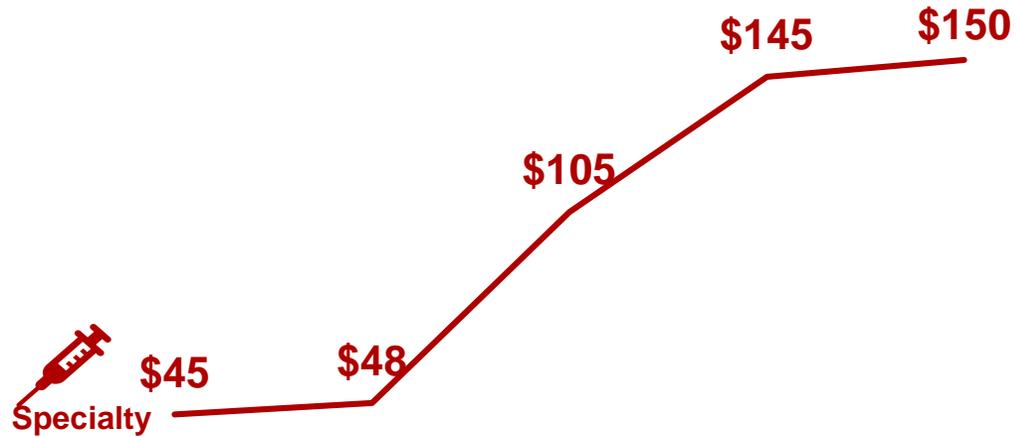


FOR MORE INFORMATION

See page 26



Prices of Brand and Specialty Drugs Continue to Increase, Driving Up PEHP's Prescription Spending



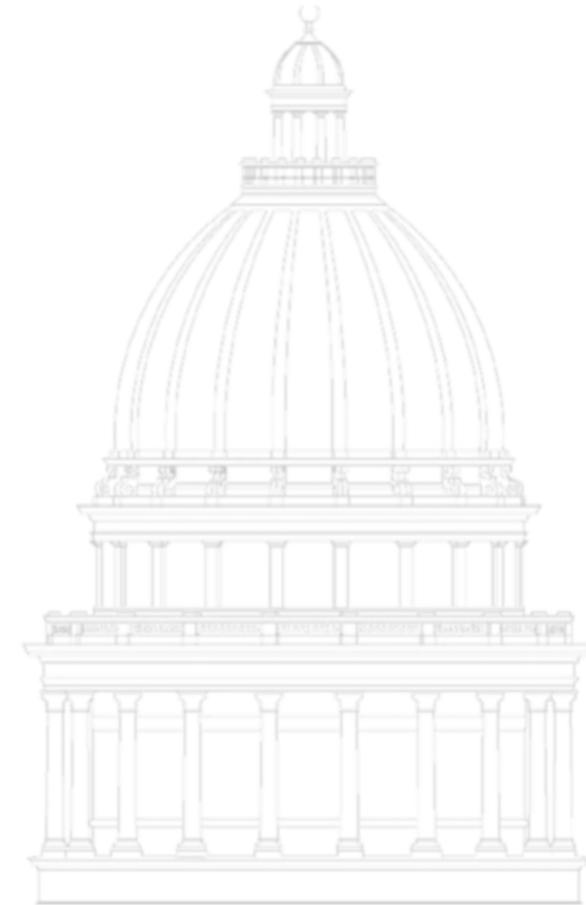
**233%
Increase**



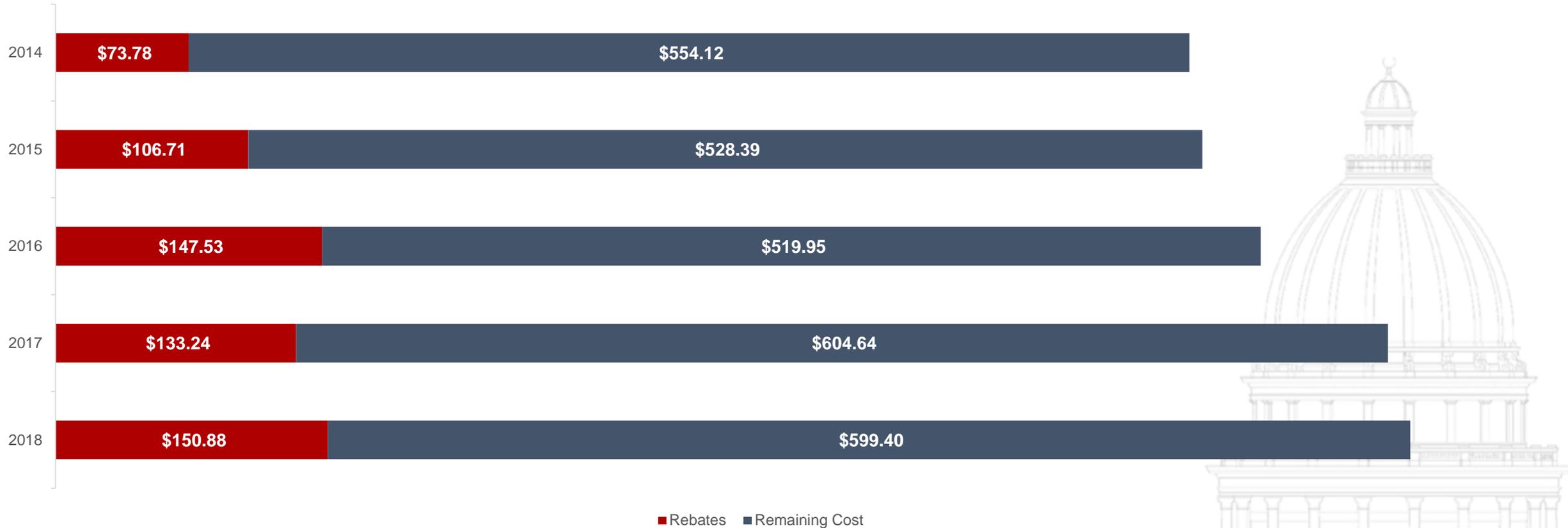
**107%
Increase**

FOR MORE INFORMATION

See page 27



Rebates Are Not Reducing Prescription Costs



FOR MORE INFORMATION

See page 28

Legislative Intervention May be Necessary to Require ESI to Provide Claim-Level Rebate Data

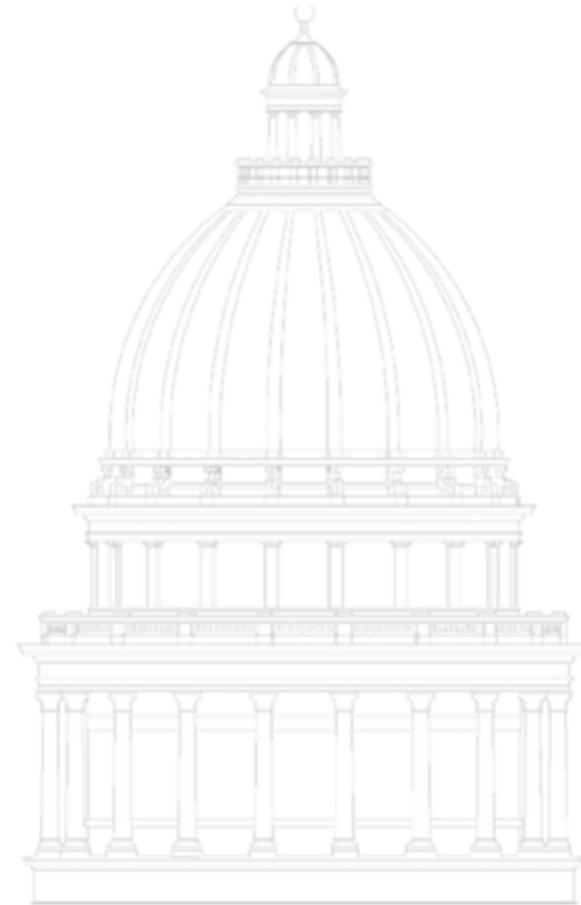
ESI credits rebate payments to PEHP four to five months after the quarter's end

Credits show aggregate, not claim-level information

Claim-level information would increase rebate transparency

FOR MORE INFORMATION

See pages 28-31



Performance Audit of PEHP's Pharmacy Benefit Manager

**Presentation to the Retirement and
Independent Entities Appropriations
Subcommittee
January 27, 2020**

