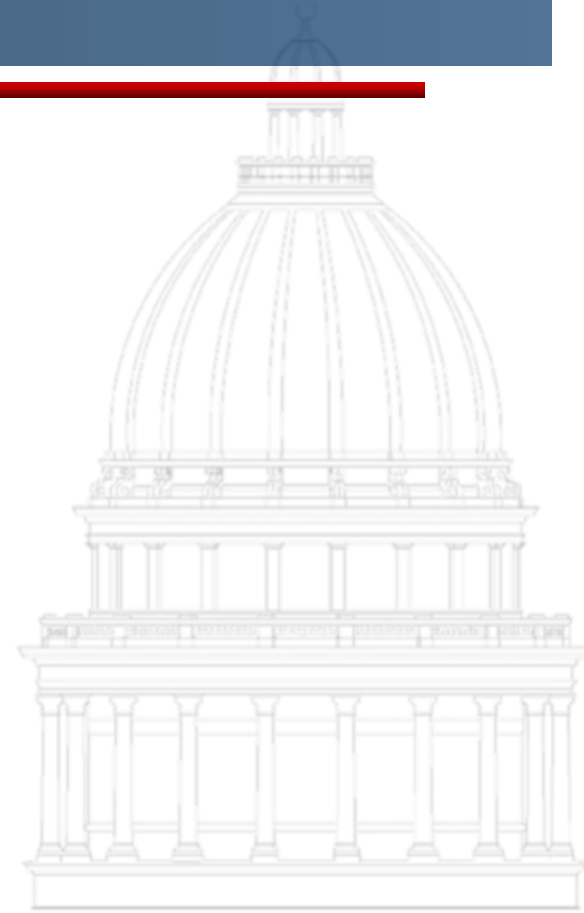


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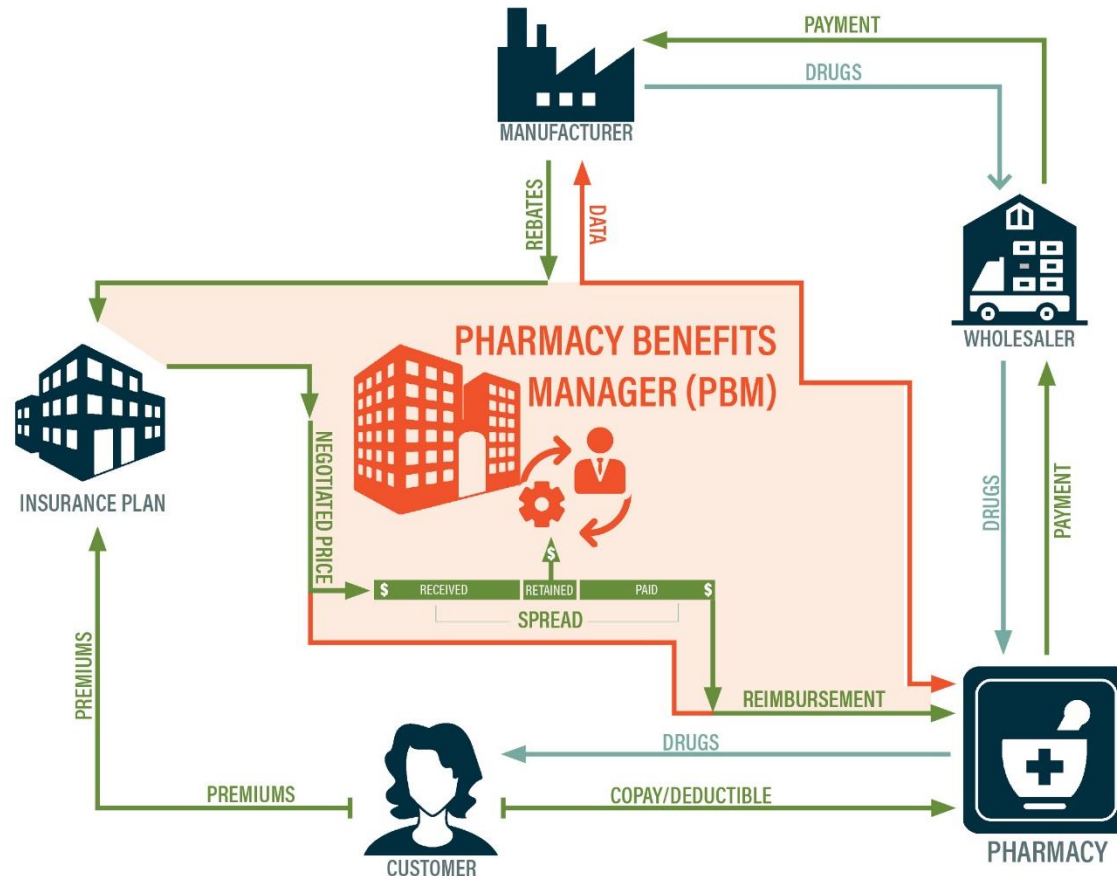
# Performance Audit of PEHP's Pharmacy Benefit Manager

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Presentation to the Social Services  
Appropriations Subcommittee  
February 4, 2020

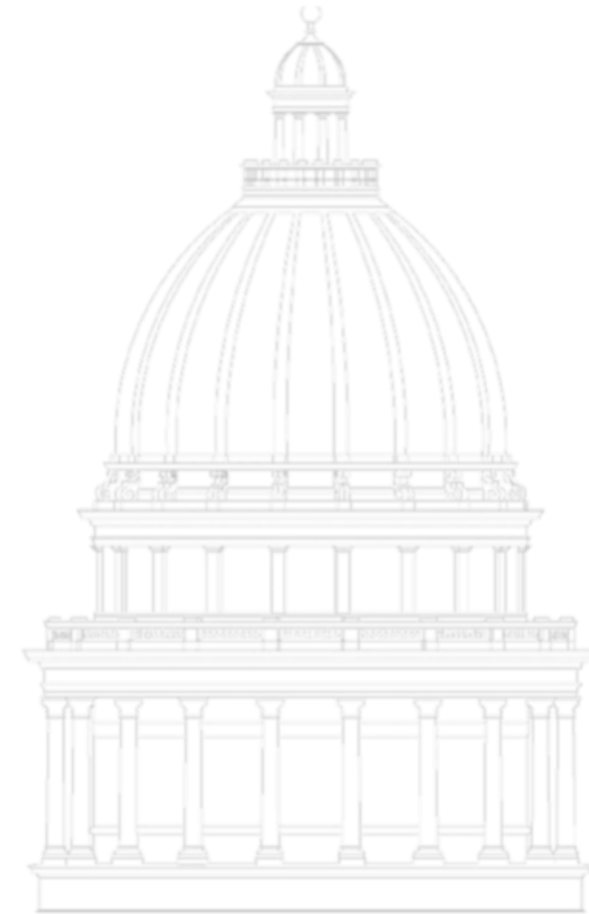


# PBM's Play a Central Role in the Pharmacy World



**FOR MORE INFORMATION**

See page 3



# Transparent Contracts Provide Minimal Additional Information to Plans

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## 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**

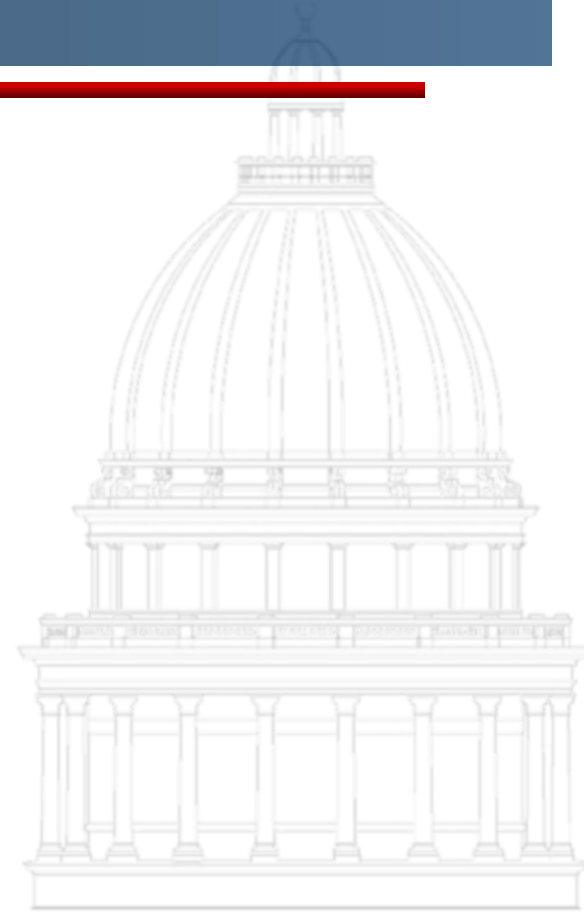
See pages 6-7

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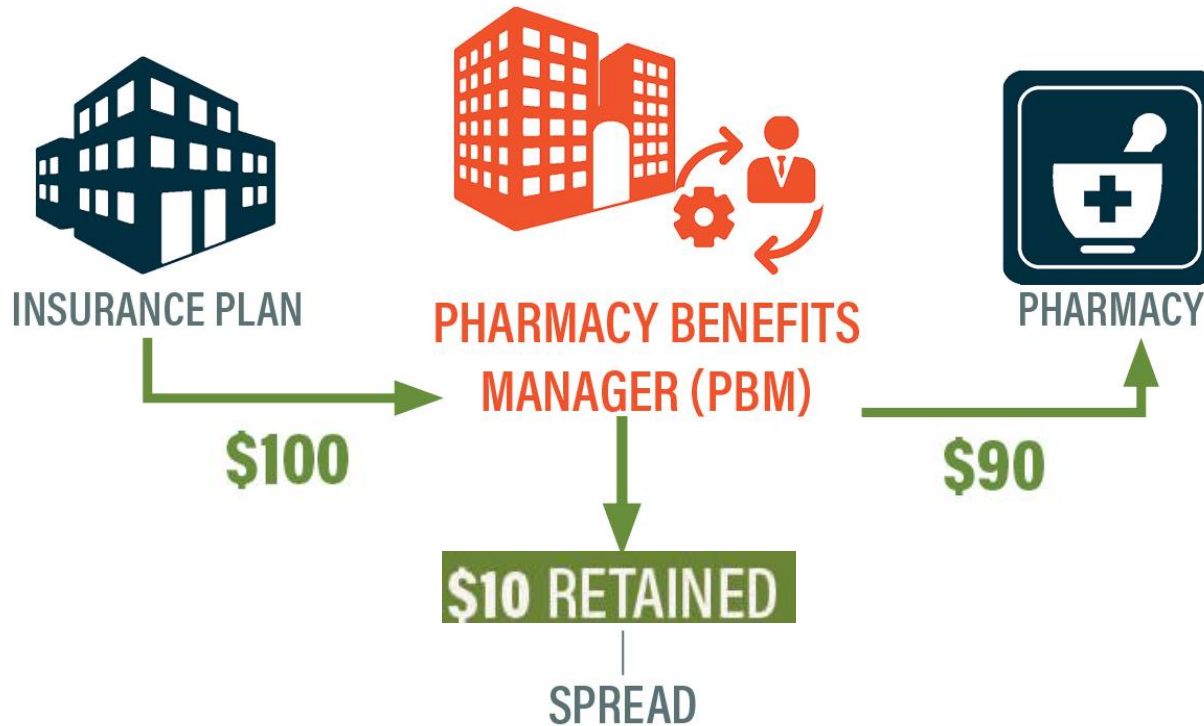
# Chapter II

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## True Drug Costs Are Hidden by PBM and Manufacturers' Practices

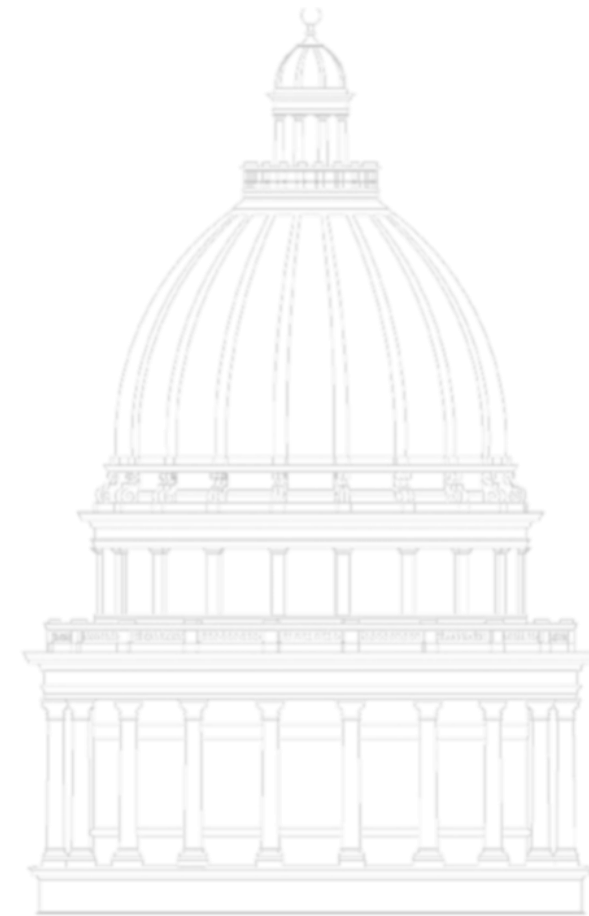


# Spread Pricing Is One Way PBMs Earn Profit and Is Often Misunderstood



**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
<b>2014</b>	7.56%	\$1.69	-2.04%	\$(8.11)	0.56%	\$0.40
<b>2015</b>	9.49	2.55	-0.90	(4.39)	1.98	1.67
<b>2016</b>	11.16	3.40	0.14	0.78	3.26	3.07
<b>2017</b>	22.40	8.32	2.43	14.59	8.86	9.04
<b>2018</b>	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

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## Generics

- \$8.18
- 24%



## Brand

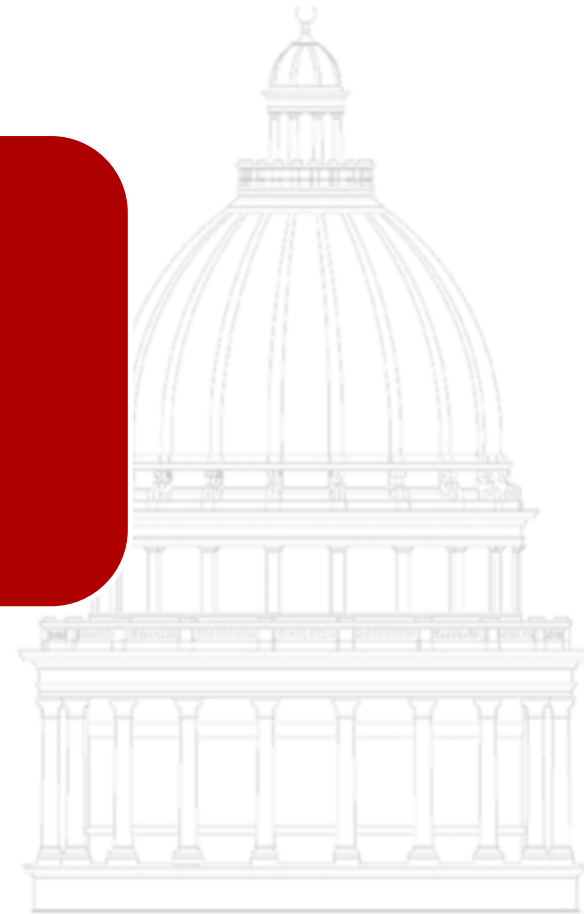
- \$3.13
- 0.49%



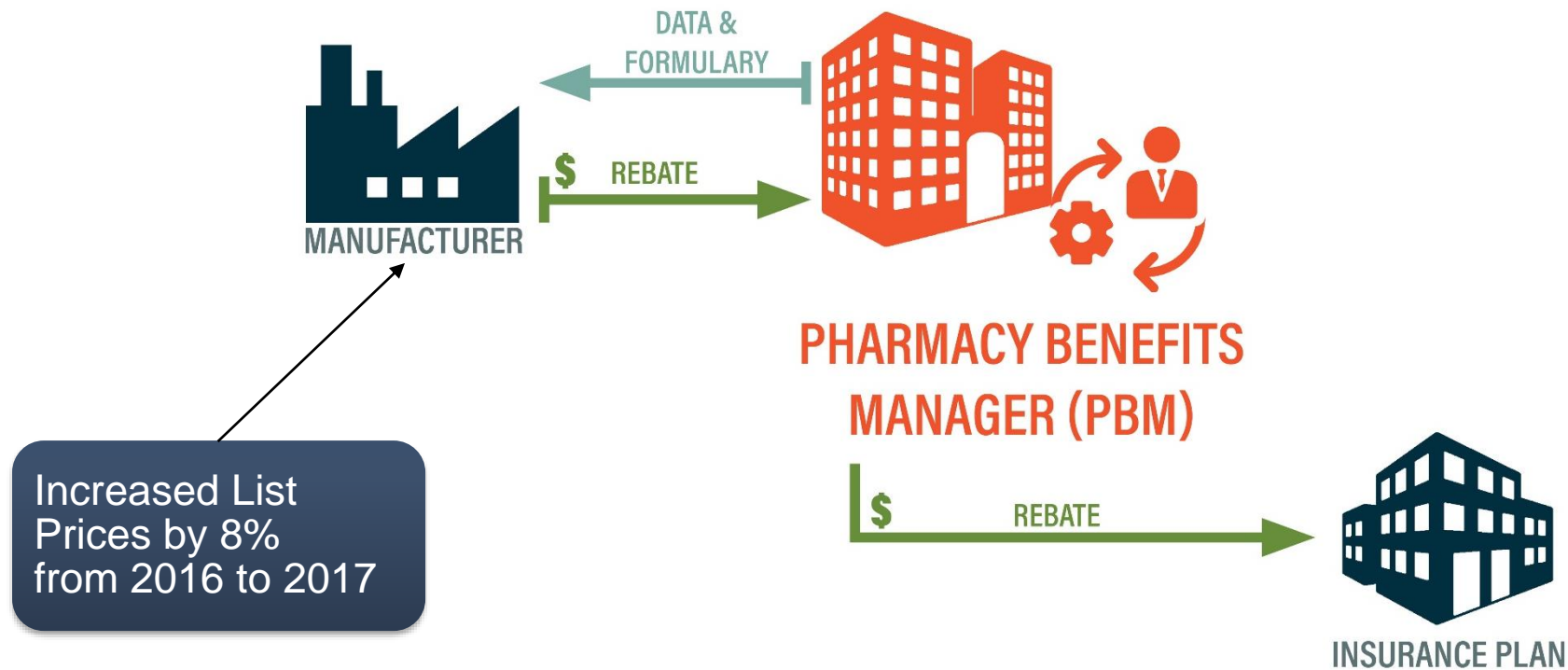
Estimated  
total of \$6.1  
million

**FOR MORE INFORMATION**

See page 14

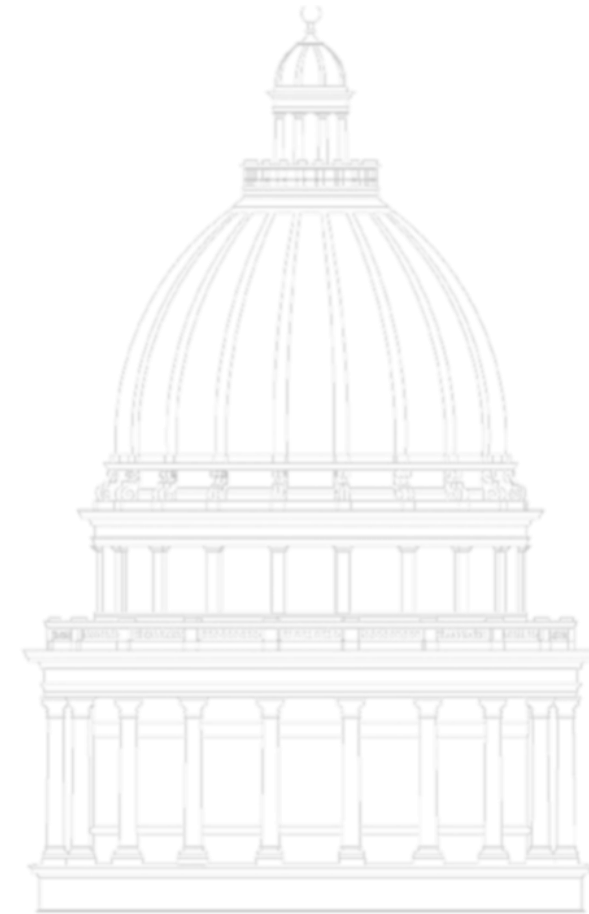


# ESI Rebates Are Not Keeping Pace with Manufacturers' Price Increases



**FOR MORE INFORMATION**

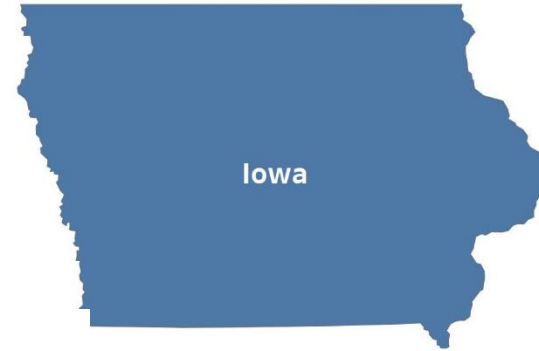
See pages 16-17





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

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**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.**

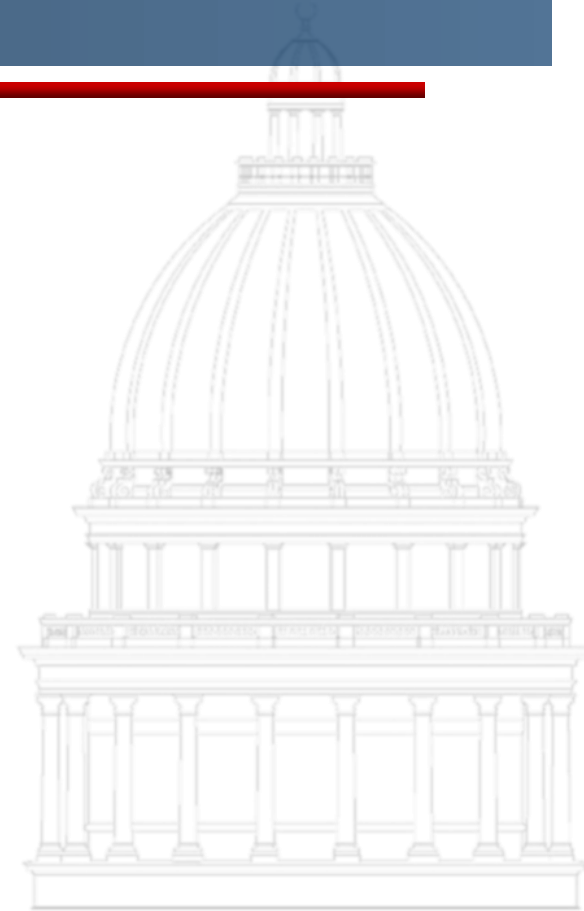


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# Chapter III

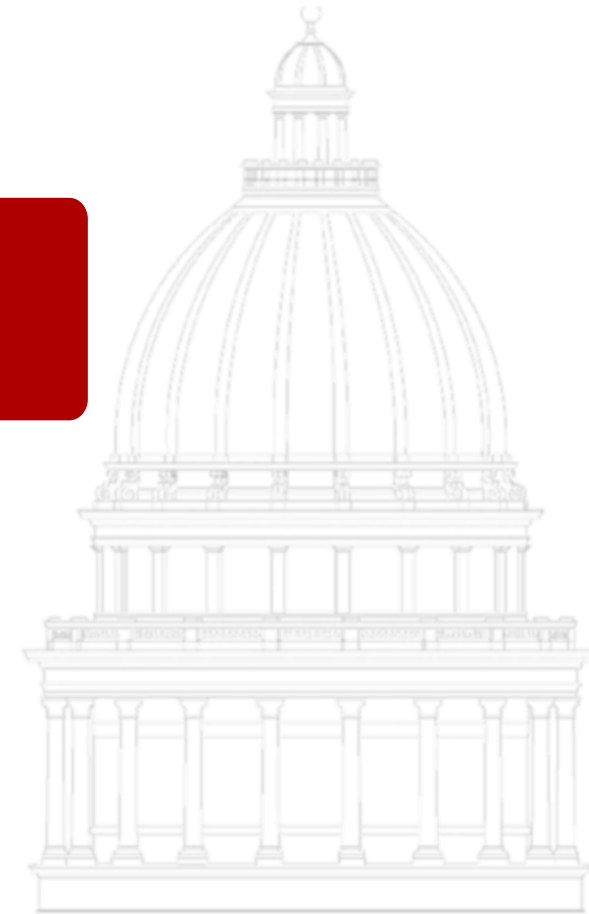
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## PEHP Needs Transparency from ESI to Maximize Savings



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

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**FOR MORE INFORMATION**

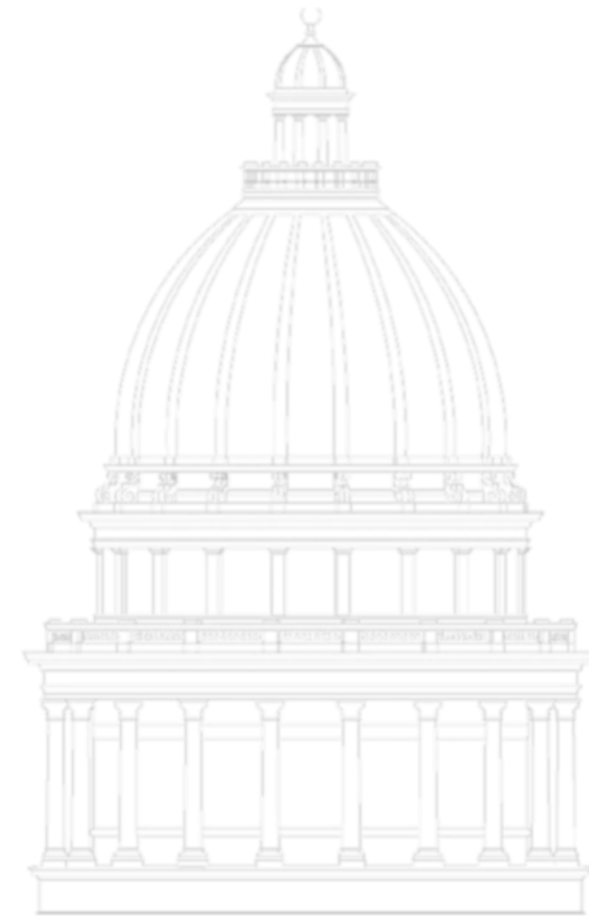
See page 22

# PEHP's Cost Management Strategies Are Effective

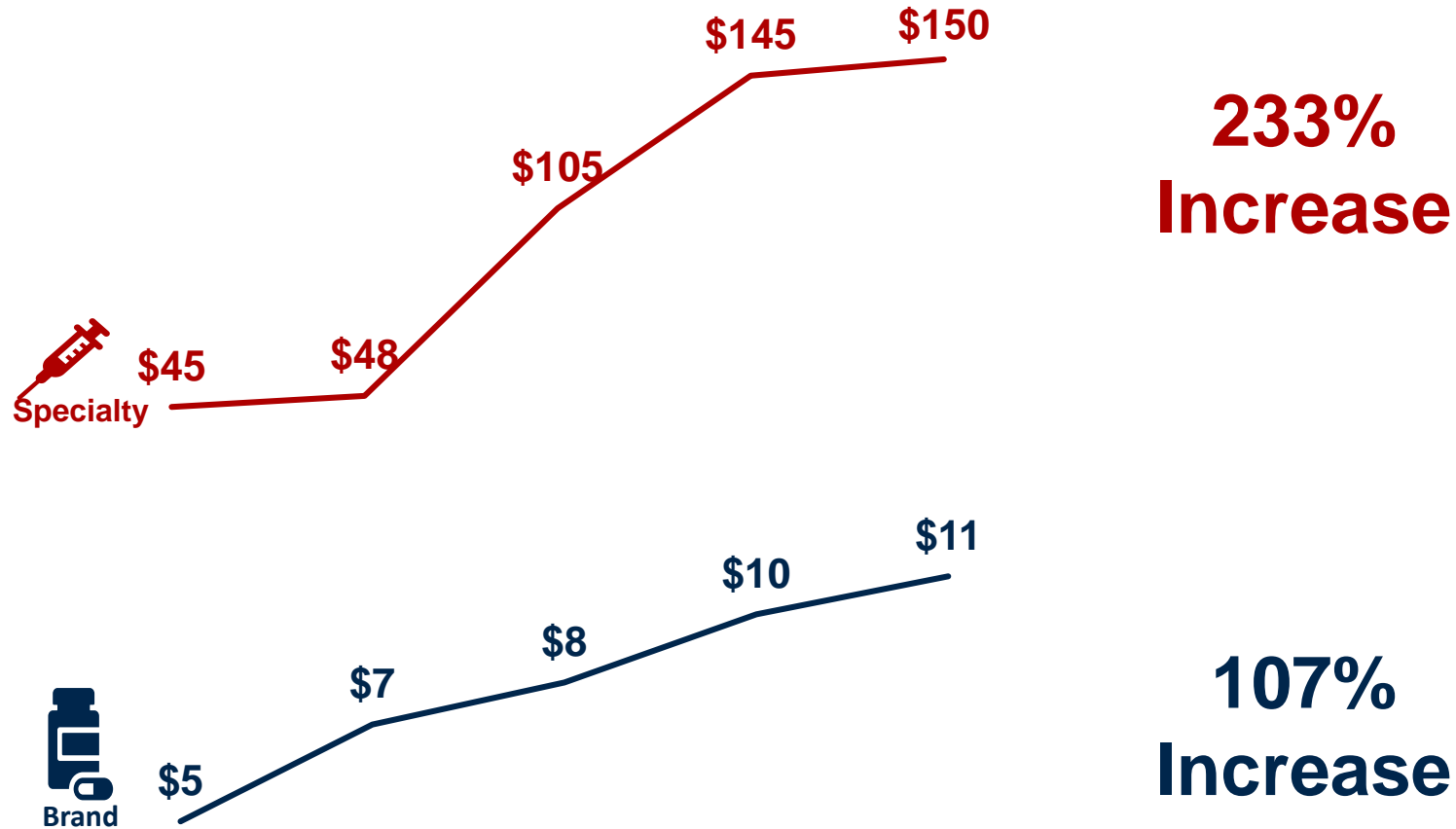


**FOR MORE INFORMATION**

See page 26

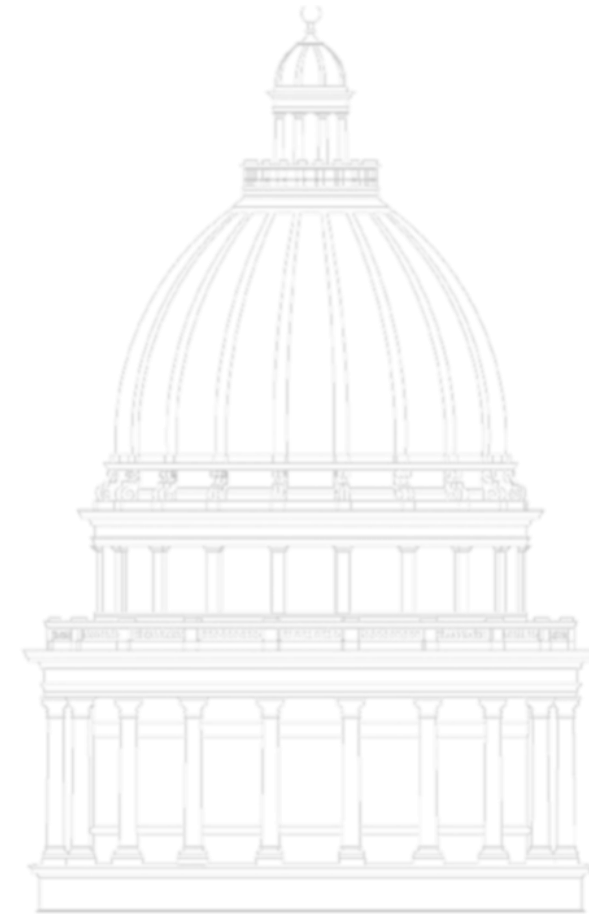


# Prices of Brand and Specialty Drugs Continue to Increase, Driving Up PEHP's Prescription Spending

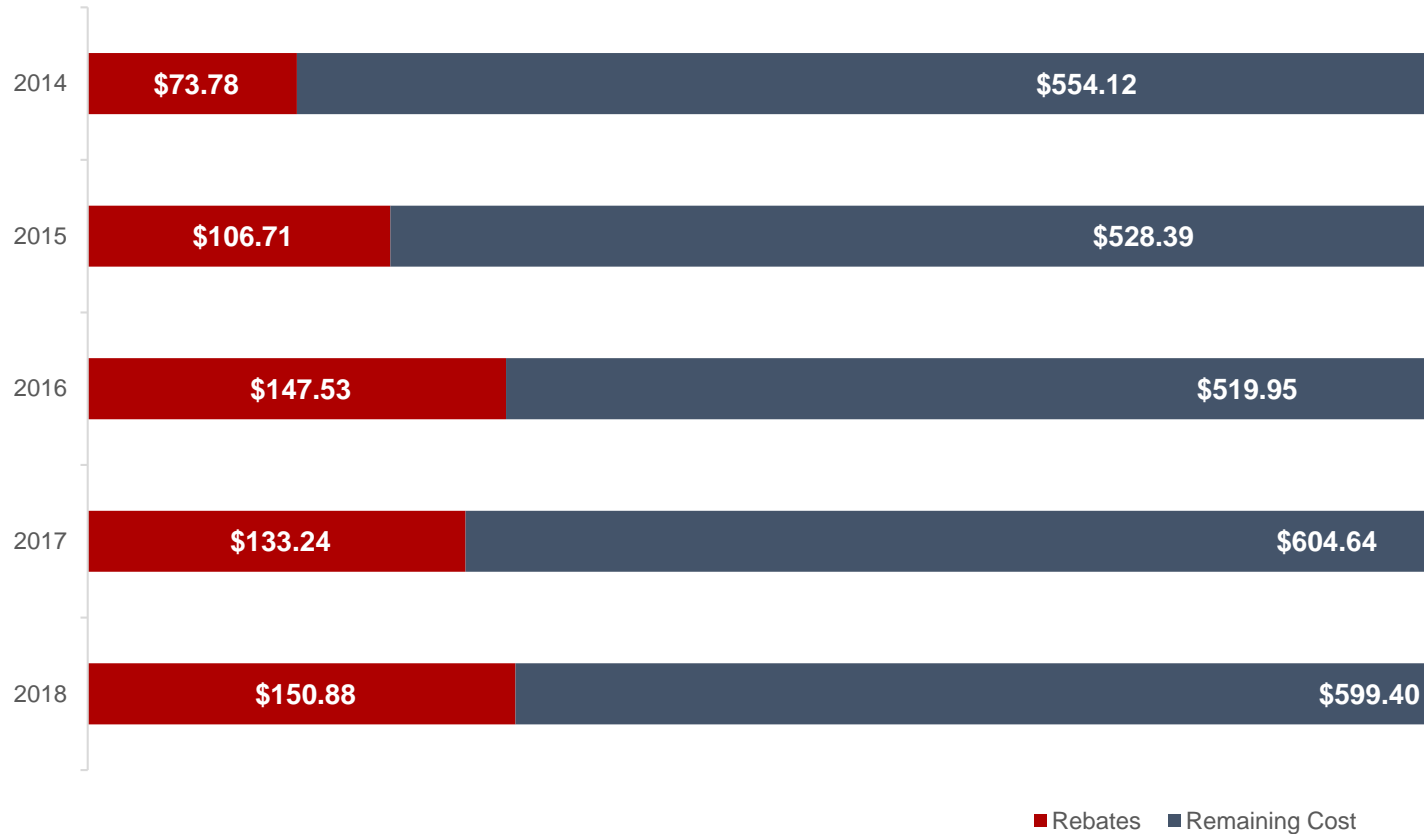


**FOR MORE INFORMATION**

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

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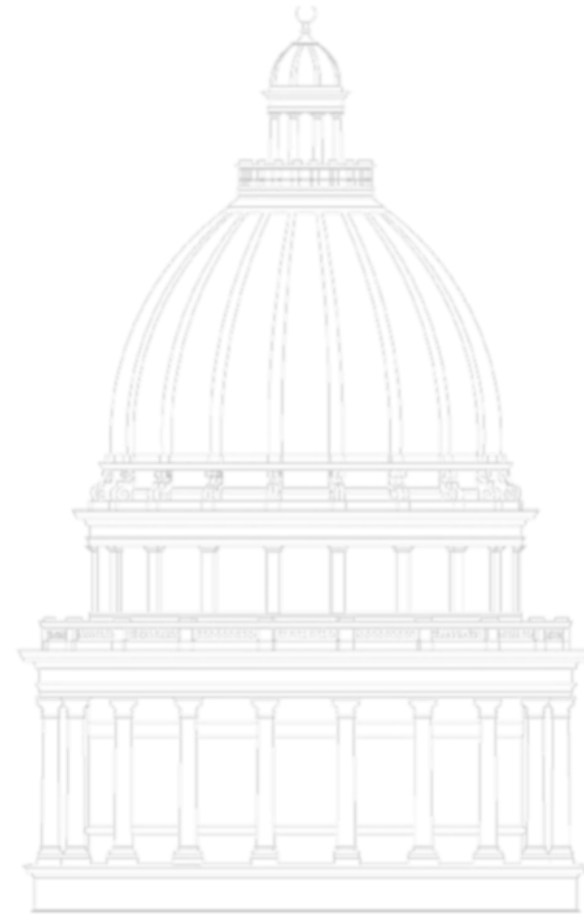
ESI credits rebate payments to PEHP four to five months after the quarter's end

Credits show aggregate, not claim-level information

Claim-level information would increase rebate transparency

**FOR MORE INFORMATION**

See pages 28-31



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# Performance Audit of PEHP's Pharmacy Benefit Manager

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