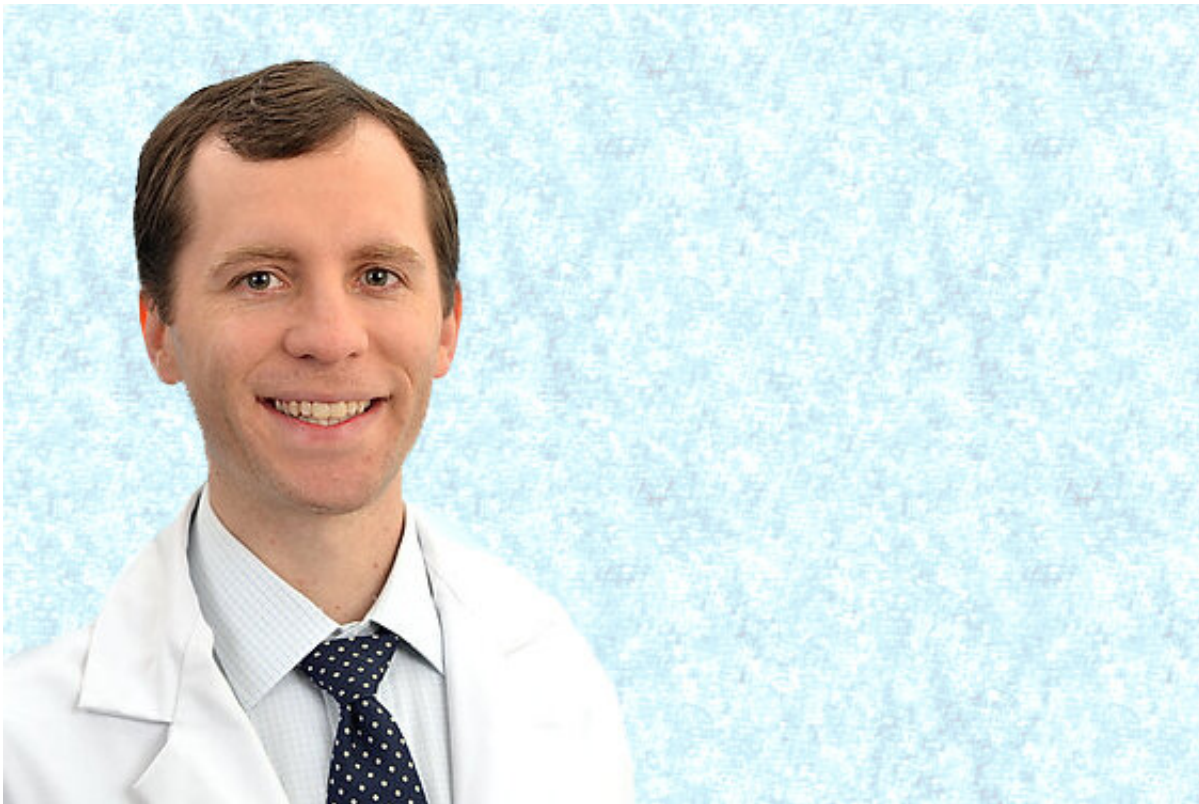


# Reforming pharmacy benefit manager practices may lead to drug cost savings

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Trevor Royce, MD, MS, MPH, is the corresponding author of a perspective in the *Journal of the American Medical Association* that highlights the potential impact of unregulated pharmacy benefit manager practices on escalating health care costs. Credit: UNC School of Medicine

Efforts to control health care costs in the United States often focus on the listed prescription drug prices, but a perspective published by the

*Journal of the American Medical Association* suggests that unregulated pharmacy benefit manager practices also may contribute to escalating expenses.

Researchers from the University of North Carolina Lineberger Comprehensive Cancer Center, Northwestern University Feinberg School of Medicine and Boston University Questrom School of Business examined the impact of Ohio Medicaid's switch in 2011 from a fee-for-service model to a managed care model to administer its outpatient prescription drug benefits.

They report that an independent audit in 2018 found the change to a managed care program, which uses [pharmacy](#) benefit managers, saved the Ohio Medicaid \$145 million annually. Pharmacy benefit managers are intermediaries in the drug supply chain that function as third-party administrators of pharmacy benefits. The savings were largely derived by the lower prescription claims prices the pharmacy benefit managers billed.

These savings, however, came at a cost, said Trevor Royce, MD, MS, MPH, the paper's corresponding author and an assistant professor of Radiation Oncology at UNC School of Medicine and UNC Lineberger. His coauthors were Sheetal Kircher, MD, MS, of Northwestern and Rena M. Conti, Ph.D., of Boston University.

"Ohio policymakers should be applauded for their empirical approach in tackling the cost of prescription drugs," said Royce. "The Ohio audit found pharmacy benefit managers engage in opaque pricing practices that likely contribute to the rising costs of care and [prescription drugs](#)."

The authors identified several issues of concern. Ohio pharmacists believed pharmacy benefit managers used anti-competitive practices and manipulated drug pricing. This included offering different drug pricing

to affiliated pharmacies than independent pharmacies. Some pharmacy benefit managers implemented "gag clauses" that prevented pharmacies from counseling patients on the most cost-effective medication options. A more controversial practice, said Royce, was the use of "spread pricing," in which pharmacy benefit managers charged Ohio Medicaid a high price for a drug but paid pharmacies a [lower price](#).

The pricing difference could produce significant revenue for the pharmacy benefit managers. An analysis in 2017 found that a 30-day supply of the generic form of imatinib mesylate, a drug to treat leukemia, cost \$3,859, but Ohio Medicaid was charged \$7,201.

The independent review of pharmacy benefit manager practices commissioned by Ohio found an 8.8 percent difference between what the pharmacy benefit managers billed to Ohio Medicaid managed care plans and what it paid to the pharmacies between March 2017-2018. The more than 39 million prescription transactions produced a spread pricing difference of \$223.7 million.

Ohio officials have implemented several policy changes following the audit. The state's managed care plans ended its contracts with pharmacy benefit managers. They also implemented a "pass through" pricing model in which the managed care plan pays the pharmacy benefit managers the exact amount paid to the pharmacy for a prescription drug plus a dispensing fee and an administrative fee.

They also tried to ban the gag clauses used by pharmacy benefit managers, but the Ohio Senate didn't vote on the bill before the legislative session ended in 2018. This was remedied on the federal level in October 2018, when the Patient Right to Know Drug Prices Act and Know the Lowest Prices Act, which banned gag clauses, were signed into law.

Royce said other states wanting to reduce [health care costs](#) can learn from what took place in Ohio.

"The Ohio Medicaid experience provides an important window into pharmacy benefit manager practices," said Royce. "Efforts to address drug pricing tend to focus on the pharmaceutical company or the [drug](#) manufacturer, while traditionally the pharmacy benefit managers may be overlooked. This is likely changing as a growing number of states have introduced bills pertaining to pharmacy benefit manager practices, and more are surely to come."

**More information:** Trevor J. Royce et al, Pharmacy Benefit Manager Reform, *JAMA* (2019). [DOI: 10.1001/jama.2019.7104](https://doi.org/10.1001/jama.2019.7104)

Provided by UNC Lineberger Comprehensive Cancer Center

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