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PRESS RELEASE

State-Commissioned Independent Medicaid Audit Confirms Drug Middlemen Practices are Costing Taxpayers Millions; Calls for AHCA to Reduce PBMs' Role

TALLAHASSEE, FL (December 7, 2020) -- An audit commissioned by the Florida Agency for Health Care Administration (AHCA) of the state's Medicaid prescription drug programs has confirmed that program middlemen, called Pharmacy Benefit Managers or "PBMs", are costing state taxpayers millions of dollars each year. The audit was conducted by the nationally recognized independent risk management, benefits and technology firm Milliman and was released to the public late last week.

Shane Abbott, the Vice President of Small Business Pharmacies Aligned for Reform (SPAR) said "AHCA deserves a lot of credit for retaining Milliman to conduct the audit in an effort to find ways to save money in the Medicaid program," adding "This report establishes a roadmap for Florida to save millions of dollars in prescription drug costs each year by shifting control of its pharmacy benefits to in-house and reducing the role of multiple PBMs to a single claims processor in its Medicaid prescription plan."

States across the nation have looked at ways to reduce the costs of prescription drugs---particularly for taxpayer funded programs like Medicaid and state employee health plans. Over the last few years some states like Ohio have shifted to using a single Pharmacy Benefit Administrator (PBA) under the state's control resulting in saving of hundreds of millions of dollars per year. Other states like Michigan, New York, California, North Dakota, and West Virginia have sharply reduced the role of PBMs in their Medicaid programs and clamped down on a number of PBM business practices which have been found to unnecessarily increase the costs of prescription drugs.

Among other findings, the Milliman study revealed that Medicaid-contracted PBMs in Florida are taking in nearly \$90 million per year in excess profits resulting from spread pricing---the practice of charging a health plan a higher price, then paying a pharmacy a lower price, and keeping the difference in pricing -- the "spread". According to Milliman they were not able to analyze every prescription drug

claim filed over the course of a year---therefore it is likely the amount of spread pricing taking place is actually higher than \$90 million per year.

The independent audit of over 22 million claims in Florida also revealed that the use of spread pricing by PBMs for “specialty drugs” is rampant. Specialty drugs are typically drugs used by very sick patients including patients with cancer. Several states have found that PBMs often direct patients to obtain these high-priced specialty drugs from pharmacies they own, a practice called “steering”. SPAR and other state and national pharmacy advocacy groups have called for the State of Florida to ban patient steering to PBM-affiliated pharmacies.

In the report Milliman makes numerous recommendations to the State of Florida. Among the suggested changes:

- Use a single PBM to administer prescription drug programs for the State – a PBA
- Eliminate spread pricing and patient steering
- Create greater transparency by requiring PBMs to report all transaction fees they charge pharmacies
- Mandate a minimum reimbursement rate per prescription for independent and rural pharmacies

Rep. Jackie Toledo (R-Tampa) who pushed for PBM reform in the last legislative session says the Milliman study confirms the findings in an extensive report released by 3 Axis Advisors in January of this year based on an analysis of over 350 million prescription drug claims in Florida. “The data doesn’t lie. The State of Florida could easily save hundreds of millions of dollars a year by curtailing the profiteering practices of the as-yet unregulated PBMs in Florida’s Medicaid program” said Toledo. “It was an independent study conducted by 3 Axis two years ago that led the State of Ohio to eliminate PBMs from their Medicaid program resulting in a savings of over \$200 million per year.”

PBMs will likely point out that the Milliman study suggests that shifting to a single PBM to administer Florida’s Medicaid prescription drug program could increase the costs to the state. However, industry experts believe that conclusion is based on several assumptions that other states have easily overcome and also does not take into account the millions of dollars in drug rebates that could be kept by the state by changing the way it does business.

According to Rep. Randy Fine (R-Palm Bay), the timing of the Milliman report, which points to a significant level of potential savings for the state, could not be better. “I applaud AHCA for asking Milliman to conduct this audit. The potential savings in Florida’s Medicaid budget outlined in Milliman’s report is substantial. Florida is currently facing a budget shortfall of over \$5 billion over the next two years and one of the fastest growing areas of the budget is Medicaid. The ability to save millions of dollars per year – and prevent cuts in other areas of health care, education, and essential services is something that we have a duty to consider in the 2021 Legislative Session.”