



# The Case for States Regulating Medicaid Managed Care Pharmacy Benefit Managers Claims Charges

## Executive Summary

### History of the Problem of Medicaid Managed Care PBM Prescription Claim Cost Overcharges

State Medicaid programs began moving pharmacy benefits into Medicaid managed care (MMC) programs in the early 2010's. Then states discovered a systematic pattern of MMC Pharmacy Benefit Managers (PBMs) overbilling state Medicaid programs through excessive administrative charges, spread pricing & other hidden charges.

These practices result in increased per capita payments for state Medicaid programs which created excessive profits for PBMs and the MCOs. These PBMs also reimburse pharmacies for less than their total cost to dispense Medicaid Managed Care Rx claims, restricting or eliminating Medicaid patients' access to care.

### States MMC Rx Reform Approaches

Of the 36 States that have their Medicaid prescription benefit program "carved in" to Medicaid managed care, the following states over the past 13 years, states have taken various steps to address or reform this abuse responsible to date for **\$2.977 billion in Medicaid overbilling**:

- **4 states (CA, ND, NY, WV)** have acted to "**carve out**" their Medicaid prescription benefit program from MMC back into their Medicaid Fee for Service Program and have **saved \$631.5 Million**
- **12 states (GA, IA, KS, KY, LA, MI, MS, NC, NM, NE, OH, OK)** have instituted an **actual cost reimbursement** mandate for MMC prescriptions which **saved taxpayers a minimum of \$1.27 Billion**
- **14 states (FL, GA, IL, KY, MD, MI, NJ, NY, OH, OR, PA, TX, UT, V) and the District of Columbia** have **conducted studies** related to Medicaid Managed Care prescription claims practices – **uncovering evidence of MMC Rx overbilling practices OF over \$1.3 Billion**
- **15 states** have introduced legislative and /or administrative reforms to address MMC PBM overbilling

**So far, in the 16 states that enacted MMC Rx reforms through either a FFS carve out or mandated actual Rx cost reimbursement formulas have seen or budgeted to save over \$1.9 BILLION** in State dollars even while paying pharmacies more pharmacies to protect and enhance Medicaid patients' Rx access.

### States Medicaid Fraud Cases against Medicaid Managed Care PBM Rx Claims Overcharges

Because of MMC Rx overbilling studies & other investigations, **18 State Attorney Generals** have sued the largest MCO - Centene- for Medical Rx fraud, resulting **\$954.5 Million in fraud settlements**. Ten (10) more State AGs are pursuing Medicaid fraud cases against Centene, which has set aside up to \$1.5 billion for these cases.

### Other Medicaid Managed Care Prescription Management States Need to Enact Reforms

Considering 16 states that have enacted MMC Rx reforms, the 18 state Medicaid fraud suit settlements & two HHS Inspector General's report calling on Medicaid Managed Care Rx "carve in" states to act to reign MMC PBM Rx overbilling, the **remaining 19 States with Medicaid managed care "carve in" Rx benefits "also need to enact cost-based, transparent, pass through Rx reimbursement mandates to protect taxpayers, vulnerable Medicaid patients and the pharmacies providers they depend on for access to their vital prescription services' needs.**