Ohio House of Representatives

Scott Lipps
State Representative

Sponsor Testimony on HB 465
The Ohio House Health Committee

Chair Huffman, Vice Chair Gavarone, Ranking Member Antonio, and members of the House Health Committee, I am pleased to speak to you today about HB 465, which will give the state of Ohio greater control over prescription drug spending within the Medicaid program. Holding a hearing for this bill is incredibly timely and coincides well with a speech that President Trump gave two weeks ago, where in his rollout of policy recommendations for lowering drug prices, he called out the secretive, complex world of prescription drug pricing and the middlemen who many times, make matters worse.

As prescription drug spending continues to pressure the state budget, an alarming trend is emerging where Ohio pharmacies are reporting record losses through reimbursements through the Medicaid managed care program, and while these drastic cuts are occurring, Ohio Medicaid and taxpayers have not been the beneficiaries of those cuts.

The result has been the net loss of more than 160 community pharmacies in Ohio over a two-year stretch, decimated pharmacy staffing levels, decreased access to certain types of medications, and unfortunately, no corresponding savings within the Medicaid program. This legislation will bring prescription drug spending back under Medicaid's control by eliminating the middleman and carving pharmacy benefits out from managed care.

HB 465 will finally give Medicaid and lawmakers a complete picture of where the money is going within our Medicaid program, because as I have learned from the Department of Medicaid themselves, no one knows where the over $2.5 billion goes in our annual spend on prescription drugs in the program. It will ensure local providers have the resources they need to operate at the high level that Ohio law expects of them, and ensures Medicaid beneficiaries have a competitive, easily accessible pharmacy marketplace – especially in areas of the state with high percentages of Medicaid patients.

While the managed care model is one predicated on competition, we have learned that when it comes to pharmacy benefits, the Medicaid managed care marketplace is largely anti-competitive. While we have five managed care companies competing in the Medicaid program, we have only two pharmacy benefit mangers (PBMs) that act as vendors for those plans – four MCOs all use the same PBM for setting prices and contracting with Ohio pharmacies. This legislation will help to create a landscape that encourages both pharmacies and plans to compete within their respective marketplaces.

Last year, *the Dayton Daily News'* Katie Wedell conducted award-winning coverage of our complex prescription drug supply chain, and this year, the *Columbus Dispatch* has penned more than 30 articles

highlighting just how dysfunctional it is. Unfortunately for taxpayers, the veil of secrecy that exists between pharmacies, PBMs, insurance companies, and our own Medicaid program has not only led to lost jobs and decreased provider access in districts like yours, but it also means that we all have the great potential to be taken for a ride on one of the fastest growing line items in our state budget. This has to stop, and it has to stop now.

I have spoken with many pharmacists in my district and across the state to get a better idea of where the money is going, and I applaud the Department of Medicaid and Auditor Dave Yost for also working to get to the bottom of it. But I will help fast forward to part of the conclusion of their research. In examining pharmacy claims data and comparing it to the pharmacy rates reported by our state to the Centers for Medicare & Medicaid Services (CMS), what you see should disturb you as lawmakers that are held accountable by taxpayers back in your districts.

When Medicaid discusses the success of its managed care program, what you'll hear is about is how the program functioned wonderfully before 2015. They may be right. But it was in 2016 where everything changed.

In 2016, the spread between what MCOs reported back to the state on pharmacy claims versus the amounts actually being paid to pharmacies on those same claims began to widen considerably. For example, an analysis of generic drug aripiprazole – which is one of the most popular drugs dispensed in our Medicaid program – showed a markup of more than $2 per pill back in the first quarter of 2016. By the third quarter of 2017, the gap widened to nearly $6. This difference between what the local pharmacy was paid and what Medicaid was essentially billed for the claim is more than $175 per prescription. More broadly, if you analyze the spread on this one drug alone over a seven-quarter stretch, and extrapolate the data to all prescriptions for aripiprazole in that time period, the state was overcharged to the tune of more than $60 million on this one drug alone.

The same trends can be found on other drugs we examined: esomeprazole 40mg - $4 million; duloxetine 60mg - $8 million; paliperidone - $5 million. These are just a handful of examples of drugs, but they clearly show that there is a big problem.

The root of that problem is that there is no transparency between the rates being paid to pharmacy providers, the actual cost of the drug, and the rates being reported back to Medicaid. And keep in mind that the PBMs that are ultimately determining these prices not only lack a fiduciary responsibility to the state of Ohio, but they also own their own community and retail pharmacies, creating a major conflict of interest when setting rates for the program, as well as the reimbursements paid to their competitor pharmacies.

In talking with the managed care plans, I have been told that carving out the benefit will fragment their control over pharmacy benefits and the overall care of the patient. I would argue that by virtue of the

plans outsourcing the benefit to an outside vendor, they have already done so. Look no further than Monday's *Columbus Dispatch*, where it was reported that the managed care plans needed their PBM to make a change for them when access to addiction treatment dissolved in the marketplace, and instead of managing the problem, they had to get the Department of Medicaid to meet with the MCO's PBM to have it fixed. The Department had to intervene, even though the state has no formal relationship with PBMs in our managed care program. Why hand the pharmacy benefit to the managed care plans, just so they can outsource it to a for-profit, non-transparent vendor who eliminates providers in our districts?

HB 465 will create a more transparent prescription drug marketplace and end much of the price manipulation that keeps the system opaque and unpredictable for pharmacy providers and the state of Ohio alike. This complex system continues to yield increased drug costs to our state, despite record low payments to pharmacies and massive deflation in the generic drug marketplace. We are losing pharmacies every week, and have very little to show for it, except increased costs. HB 465 will take control of Medicaid health care dollars away from out-of-state middlemen and back to the taxpayers.

I thank you for your time today, and I respectfully ask for your support.

Thank you for your consideration.

Reference Articles:

http://www.dispatch.com/news/20180519/powerful-secretive-middlemen-affect-drug-prices

http://www.dispatch.com/news/20180521/when-pharmacy-benefit-manager-cuts-put-lives-in-jeopardy/1

https://www.mydaytondailynews.com/news/with-small-pharmacies-disappearing-medicaid-cuts-seen-culprit/ctSdfw5VB6tjwF04BUCcQO/