OPINION: PHARMACY BENEFIT MANAGERS KEEP MEDICAID DRUG COSTS LOW, SAVE OHIO TAXPAYERS MONEY

David Palombi, Senior Vice President, CVS Health, Providence RI
Opinion, published in The Cleveland Plain Dealer, August 5, 2018

David Palombi is senior vice president and chief communications officer at CVS Health.

In recent months, there has been a lot of misinformation, skewed facts, and unfounded allegations circulating about the role pharmacy benefit managers (PBMs) play in helping to manage the costs of prescription drugs for Ohio Medicaid. It is time to sort through the inaccuracies and provide some balance to the discussion.

The truth is, when PBMs function well, drug-cost inflation is low and patient health improves through the appropriate use of medications and related health care programs.

A recent report commissioned by the Ohio Department of Medicaid to measure PBM effectiveness estimated that CVS Caremark’s involvement in the program saves taxpayers and the state $145 million annually as compared to other models.

That same ODM-commissioned report shows that CVS Caremark reimburses independently owned pharmacies at a higher rate, and pays these pharmacies a higher dispensing fee, than we do for CVS Pharmacy, effectively silencing unfounded allegations of anti-competitive behavior.

Overall, Ohio's Medicaid expenditure per prescription is more than 13 percent below the collective average costs of states that manage their own program versus using a PBM, according to the Ohio Association of Health Plans last year.

These facts paint a clear picture that PBMs benefit the state of Ohio and Ohio taxpayers by effectively managing Medicaid expenditures.

In an era of rising pharmaceutical costs, it is important to remember that pharmaceutical manufacturers set the price of prescription drugs. It is our job at CVS Health to negotiate with those manufacturers to secure the drugs at a lower cost.

We are measured on our ability to hold down prescription drug costs. Our effectiveness in this area allows plan sponsors to apply these savings to help keep the amount their patients have to spend out of pocket, to cover their share of health insurance costs, affordable.

When it comes to transparency, the ability to effectively serve our clients and patients while competing in the market - as with any business - involves a certain amount of proprietary information. In our role supporting Ohio Medicaid plans, we work hard to balance the need to protect our business-critical information with the public’s right for transparency into how their tax dollars are being spent.
CVS Caremark participated in a transparent, open, and competitive bidding process to win the right to service the Ohio Medicaid plans, the details of which are publicly accessible. Also, along with most managed-care companies that contract with the state Medicaid program, we comply willingly with new requirements to report the difference between the amount the PBM is paid by the managed-care plan and the amount the PBM pays pharmacies for all prescriptions filled under Medicaid.

However, when it comes to the proprietary rates and formulas we use to negotiate for lower drug prices or cost-effective dispensing within our pharmacy network, making those figures public (as the release of the full report commissioned by ODM would do) only hurts our ability to negotiate the lowest rates and fees in a highly competitive market, which would ultimately cost the state and the taxpayers more.

Some have questioned the CVS operating margin as being too high or out of scope as compared with other companies. However, as reported by the Ohio Department of Medicaid, a significant portion of that "spread" is not profit to CVS Caremark.

Instead, in lieu of separate administrative fees, this margin funds vitally important benefit management services we provide to clients, such as clinical and customer support, programs to improve medication adherence, and management of the drug formulary, among others. In 2017, CVS Caremark's net profit margin for all PBM services nationally was just 3.5 percent; in the first quarter of this year, it was only 2.4 percent.

Ohio has developed a sound strategy that involves partnerships with PBMs to serve the prescription needs of those on Medicaid. While we agree it is only prudent that Ohioans consider how to continue improving a system responsible for the health care of about 3 million people at the cost of $3 billion, we remain committed to continuing to work together with the state and the managed-care plans to improve the system, keep drug-price inflation to a minimum and serve the health care needs of Ohioans.