

MISSISSIPPI

*Pharmacies vs. Big Corporations:
Survey Illustrates the Challenge of
PBMs for Independent Pharmacies*

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SHAD WHITE
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Pharmacies vs. Big Corporations: Survey Illustrates the Challenge of PBMs for Independent Pharmacies

A special project by the Mississippi Office of the State Auditor (OSA)

Executive Summary

Over the last several years, the cost of prescription drugs has skyrocketed. More than ever, families, employers, and even pharmacists are finding it nearly impossible to afford or dispense their medications. While there are many reasons for this, pharmacy benefit managers, or PBMs, may be driving up costs.

PBMs are companies that manage prescription drug benefits on behalf of drug programs like health insurance, Medicare, and state Medicaid programs. Imagine walking into a pharmacy to fill a prescription. Paying a co-pay may cover some of the cost of the pills. The rest of the cost of the pills should be covered by health insurance. Today, a pharmacy typically will send the bill for the rest of the cost of your drugs to a PBM. Payments for those bills are called “reimbursements.” PBMs were originally created to manage these reimbursements from a health plan (like health insurance) to your local pharmacy. They were also supposed to serve as negotiators with drug manufacturers and pharmacies to control drug costs.

But today, PBMs are large corporations that have incredible power in the pharmaceutical industry. The recent rising drug prices and falling reimbursements to pharmacies have many asking about PBMs’ role and whether they are really “cost-cutters.”

In 2019, State Auditor Shad White launched an investigation into the PBM serving the state’s Medicaid program. In June 2021, the State of Mississippi reached a \$55.5 million settlement with the Centene Corporation and their PBM thanks to this investigation. This represented the largest civil settlement resulting from a State Auditor’s investigation in the history of the Mississippi Office of the State Auditor. However, state Medicaid recipients are not the only Mississippians impacted by PBMs. Independent pharmacies across the state are pushing back at what they call unfair practices when it comes to PBM reimbursement.

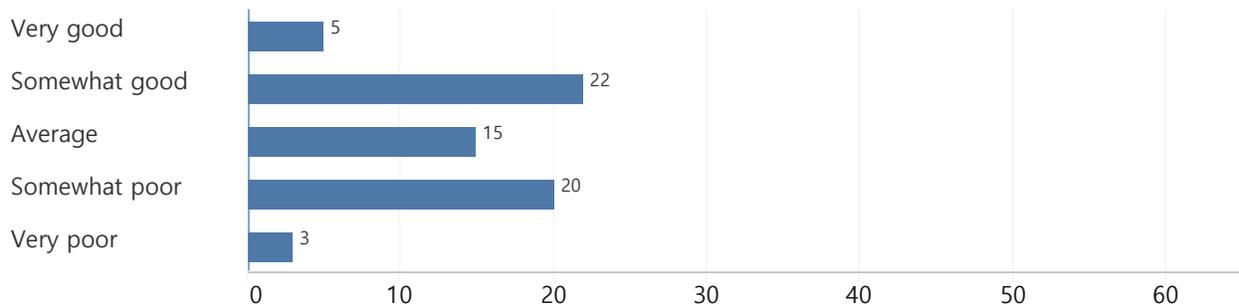
The following is a survey conducted by OSA in coordination with the Mississippi Independent Pharmacies Association (MIPA) to understand the relationship between Mississippi’s independent pharmacists and PBMs.¹ The results were alarming. Mississippi’s independent pharmacists are wilting under increased audits from PBMs and stifling reimbursement rates set by the PBMs.

¹ This survey consists of 65 independent pharmacy owners across Mississippi—nearly 20% of all independent pharmacists in the state.

Where Independent Pharmacists Stand Today

Many of Mississippi's independent pharmacists are at a crossroads. Of 65 independent pharmacy owners, 38 described their business health as average to very poor (Exhibit 1).

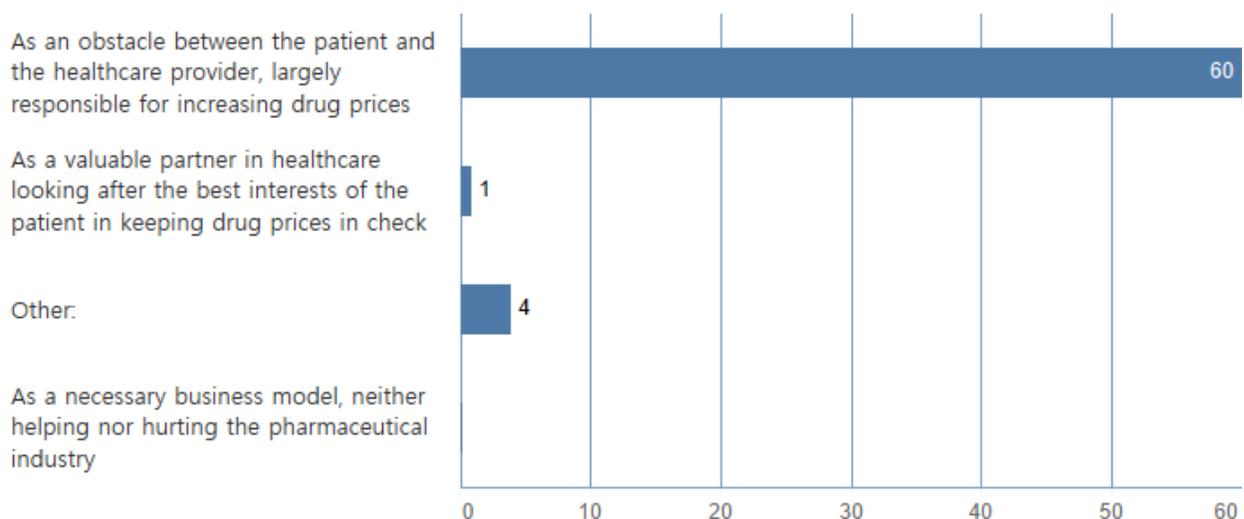
(Exhibit 1) *How would you rate the overall health of your business?*



PBMs Are No Longer Friendly

PBMs are now seen as a major impediment to the health of independent pharmacies in Mississippi (Exhibit 2). One surveyed pharmacy owner stated, PBMs, while perhaps necessary, "do not have pharmacy or patients in their best interest." They are "interested in their bottom line, making money, and keeping their investors happy." Another said PBMs are "absolutely an obstacle between patient and provider, responsible for increasing prices and the snuffing out of Independent pharmacies across the state."

(Exhibit 2) *When dealing with a PBM, how would you describe the relationship?*

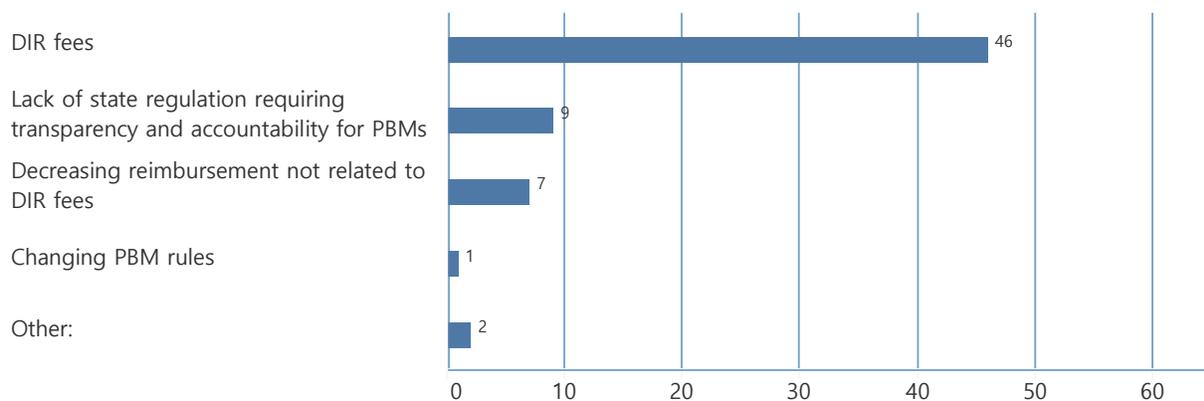


PBM Fees Are Stifling

The last several years have seen a substantial rise in Direct and Indirect Remuneration (DIR) fees charged to pharmacies across the country (Exhibit 3). These fees refer to pharmacy payments clawed back by PBMs from pharmacies. Put simply, after reimbursing a pharmacy for the cost of a drug, the PBMs often come back later and claw back money for unclear reasons, according to pharmacists.

As one Mississippi pharmacist we surveyed noted, “[H]ow can you plan a budget of a business when you have unknown fees that are charged back to you, months after the claims. As a business owner, it is a take it or leave it situation.”

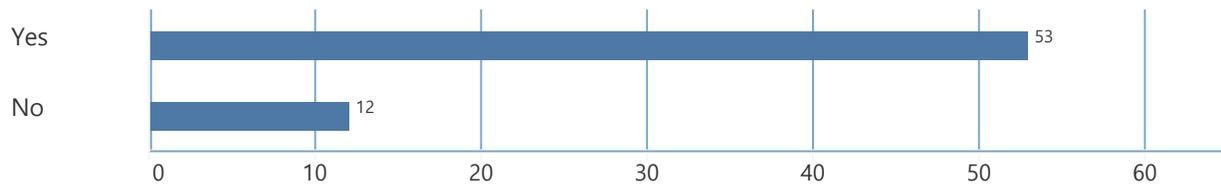
(Exhibit 3) Which of the following is the biggest challenge your pharmacy faces?



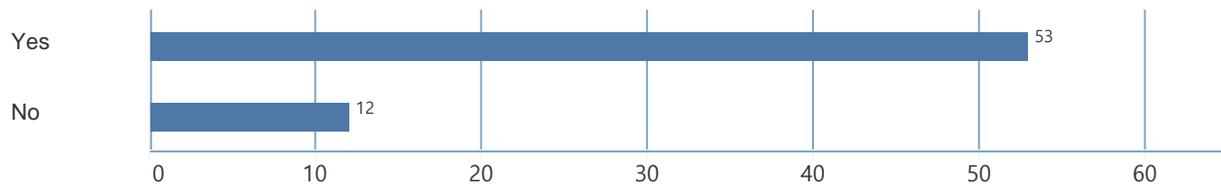
These DIR fees are often assessed for minor errors that made little to no difference to the claim (Exhibit 4). For example, one pharmacist surveyed reported that they were assessed a fee “for entering a 28-day supply of insulin instead of a 30-day supply.” Another admitted they were assessed “\$5 per claim because [the] day supply was a few days off from their calculations,” and “\$5 [was] more than we were paid to fill the RX [prescription].”

PBMs assess these fees on pharmacies after “audits” of the pharmacies. These unforeseen audits and fees can be a major blow to the pharmacies’ bottom line. “On items that cost more than \$100,” a pharmacy owner noted, “you better have every ‘i’ dotted and every ‘t’ crossed. A simple clerical error can cost you hundreds if not thousands.” Moreover, these claim audits are becoming more frequent (Exhibit 5).

(Exhibit 4) *Have you experienced a PBM claims audit where the PBM assessed fees for reimbursement for relatively minor errors that were insignificant to the claim?*



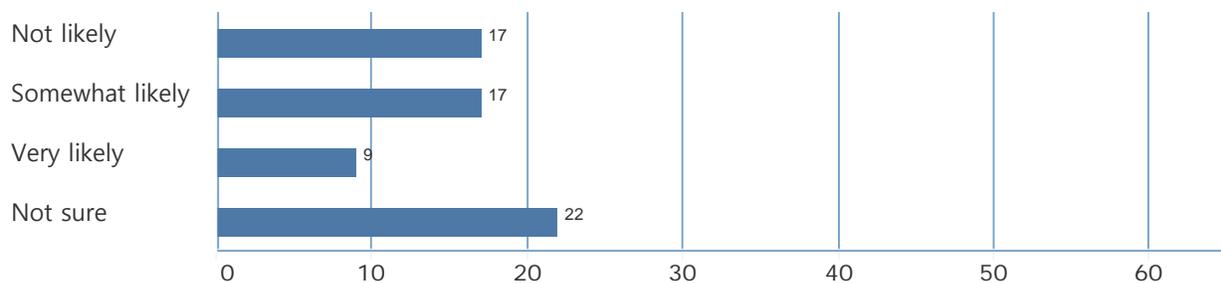
(Exhibit 5) *Have you experienced an increasing number of PBM claim audits in the last three years?*



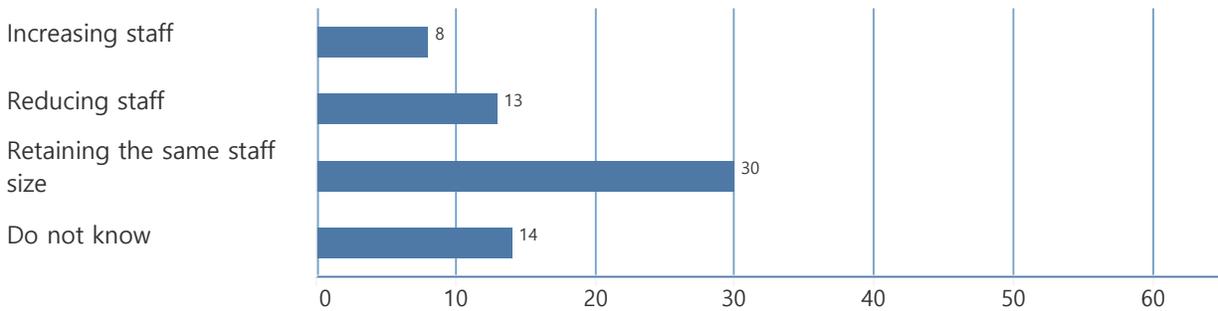
The Future is Bleak

These claw back fees are putting the long-term viability of many Mississippi pharmacies in jeopardy (Exhibits 6, 7, and 8). One pharmacy owner confessed they “would be better off reducing staff and discontinuing service to the patients whose insurance company does not cover the cost to fill. I have put this off because I love my patients, I love my staff, but it is to a point that I am going to have to do something.” Another acknowledged they are in a rural area where the whole community depends on their pharmacy, and “if these [PBMs] continue to go unchecked, the end result will be the loss of access to care for many in small town Mississippi.”

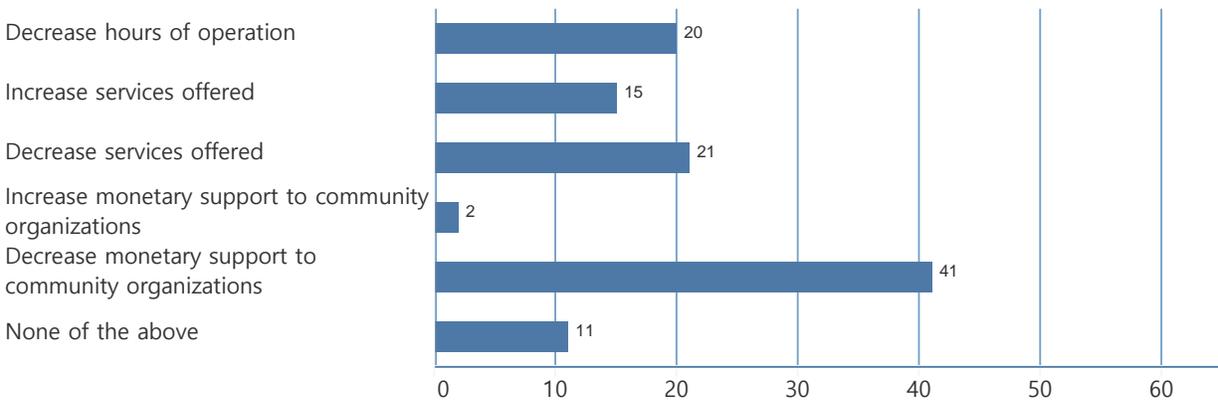
(Exhibit 6) *Based on the impact of pharmacy DIR fees on Rx reimbursement, how likely are you to close your business within the next two years?*



(Exhibit 7) In the next year, do you anticipate?



(Exhibit 8) In the next year, do you anticipate that you will (pick all that apply):



Where Mississippi Can Go From Here

The Office of the State Auditor has previously found that PBM practices can affect big taxpayer-funded programs like Medicaid or the state health insurance plan that covers teachers and other government employees. The State of Mississippi has an agreement to recover more than \$55 million because of an OSA investigation. Now it is clear: PBMs may be jeopardizing the long-term health of local independent pharmacies, too.

If Mississippi loses its independent pharmacists, local jobs will be destroyed, and Mississippians will lose access to healthcare. State lawmakers and regulators should continue to look for ways to ensure PBMs treat pharmacists fairly. OSA will continue to investigate whether PBMs overcharge taxpayers or hurt government employees who are currently on the state's health insurance plan.