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Auditor General DePasquale Initiates Review to Bring Transparency, Accountability to Prescription Drug Pricing

HARRISBURG – Auditor General Eugene DePasquale today said he is launching a review to bring transparency and accountability to prescription drug pricing in Pennsylvania.

The result will be a special report focused on practices by pharmacy benefit managers (PBMs), which negotiate with drug companies and insurers to help define which drugs are covered by health insurance plans and set the drug reimbursement rates for community and chain pharmacies.

“States across the country are struggling with this issue because there currently is no state or federal oversight of these pharmacy benefit managers,” DePasquale said during a news conference at the Capitol. “Taxpayers and businesses deserve more transparency in the pricing of prescription reimbursements than is currently required, and I want to fix that.”

There are four major pharmacy benefit managers in Pennsylvania: CVS/Caremark, Perform Rx, Optum Rx and ESI. They receive state and federal funding through subcontracts originated in the Department of Human Services (DHS) and paid for through Medicaid. DHS contracts with health insurance companies, called managed care organizations (MCOs); the MCOs contract with PBMs.

“My office is in the best position to review the impact PBMs have on hundreds of thousands of Pennsylvanians,” DePasquale said.

DePasquale said his team will look into these questions:

- How much does the state spend on pharmacy benefit managers,
- How do pharmacy benefit managers bill insurance companies for a drug,
- How do PBMs determine the drug reimbursement rate for pharmacies and are those rates consistent across different types of pharmacies,
- Do PBMs pass along savings from rebates and price cuts they get from drug manufacturers,
- Why is drug pricing information kept private when taxpayers are footing the bill,
- What the Department of Human Services is doing about contracts that involve pharmacy benefit managers,
- Are any Pennsylvania pharmacies are subject to gag orders, and
- How can Pennsylvania can ensure transparency and fairness in pharmacy pricing for consumers.

“I want to make sure that consumers always know how to receive the best price possible for the prescriptions they need,” DePasquale said.

DePasquale plans to hold regional hearings and invite local pharmacists, pharmacy benefit managers, health insurance companies and health care providers to discuss how best to resolve this complicated issue so that Pennsylvanians are getting the best deals possible on prescription drugs.

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Media contact: Susan Woods, 717-787-1381