



## **JOINT MEMORANDUM**

### ***NYS' Community Pharmacies Support NYRx***

### **NYS Medicaid Pharmacy Benefit Expansion to Fee for Service, Effective 4/1/23**

We write on behalf of the community pharmacies across the state to express our strong support for NYRx to shift the Medicaid pharmacy benefit from Medicaid Managed Care to Fee for Service effective April 1, 2023. This will expand pharmacy care for all with Medicaid. We strongly urge that the transition take place as planned without changes or further delay.

#### **A Streamlined Medicaid Pharmacy Program Will Benefit Patients**

Currently, there are sixteen Managed Care plans that manage the pharmacy benefit along with their PBMs for individuals enrolled in NY Medicaid. This has resulted in limited networks for individuals to use to receive their pharmacy care. In other words, these patients do not have the ability to use their pharmacy of choice that might be closest to their home, or where they may have a trusted relationship with their pharmacist. Further, managed care plans each have their own formularies, prior authorization rules and processes and procedures which can lead to confusion, or worse limit access for patients to needed medications.

Under NYRx, Medicaid pharmacy care will be far more straightforward with the same set of rules and benefits for all New Yorkers enrolled in Medicaid. They will have access to one of the largest pharmacy networks in the country. They will also have the same expansive broad drug formulary which covers 100% of FDA-approved medications, and there are consistent utilization review procedures and standards for their prescribers to follow.

We believe this will be very positive overall for patients. New York's community pharmacies and their staff are committed to helping with the initial education and outreach needed to help with this transition.

#### **Shift is Positive for Pharmacies & the Communities they Serve**

Community pharmacies in all parts of the state, rural and urban, and of all sizes and types have been struggling with the current Managed Care Model for pharmacy benefits in Medicaid. Pharmacies have been precluded from serving patients that live in their neighborhoods and with whom they have relationships due to the limited pharmacy networks that Medicaid Managed Care plans and their Pharmacy Benefit Managers (PBMs) have constructed.

Further, those who are invited to join these networks must submit to “take it or leave it contracts” for below or at-cost payments to be included. This puts pharmacies in a most untenable position of wanting to serve their communities but struggling to do so because they cannot cover their costs to buy and dispense medications. This has led to a growing number of “pharmacy deserts” in some of our most urban and rural areas that have a high number of individuals with Medicaid.

Under NYRx, pharmacies are paid based on a national survey of pharmacy costs done by the Centers for Medicare & Medicaid Services (CMS) and cost of dispensing surveys to assure that payments reflect the true costs of procuring and dispensing medications. This provides a more sustainable reimbursement model to ensure the community pharmacies can continue to serve some of our most vulnerable residents.

### **Shift will Reduce NYS Costs**

Other states have moved their Medicaid pharmacy benefit out of Managed Care, so it is now administered by their Health Department’s Fee for Service programs. Not only does this provide full transparency and visibility for the State into prescription drug costs, but it also enables the state to centralize and leverage greater negotiation power to reduce costs.

Further, it eliminates the myriad of managed care plans and their pharmacy benefit managers (PBM) which only add cost to the dispensing of medications since the state pays the plans/PBMs fees to administer the benefits which the state will subsume.

For instance, West Virginia reported saving nearly \$54.5 million in the first year when it moved its prescription drugs out of Medicaid Managed Care. Other states that have made this transition also report similar savings. California estimated a savings of \$405 million from the change which took effect January 2022. There is great interest and attention to the need to reduce prescription drug prices in our State. This initiative set to take effect April 1, 2023, provides a critical opportunity to do so by taking the unnecessary middlemen (health plans and PBMs) out of New York’s Medicaid pharmacy program.

For the same reasons that New York prioritized the passage of legislation to regulate PBMs last year, New York should move forward with removing managed care plans and PBMs from the Medicaid pharmacy program. There have been many reports of large national PBMs actually driving up the cost of prescription drugs, while asserting to reduce them.

The State of Ohio recently cracked down on PBMs in their Medicaid program when a 2018 audit found that PBMs were wasting taxpayer dollars through “spread” pricing. In particular, the audit found that PBMs charged Medicaid nearly 9% spread across all drugs as well as a 31% spread among generic drug prescriptions

filled between April 1, 2017 and March 31, 2018. Spread pricing models allow PBMs to generate revenue for themselves by charging Medicaid (taxpayers) more than the amount they reimburse pharmacies and keeping the difference. In Ohio, this totaled \$225 million in the year studied. While New York did take steps recently to prohibit “spread” in the Medicaid program, the only way to guarantee that it is not happening is through total transparency and state oversight of the program which this shift will provide.

Another study conducted in 2018 by the Pennsylvania Auditor General found that the Medicaid program paid \$2.86 billion to PBMs for Medicaid enrollees and among its cost-savings recommendations urged the state instead to directly manage the prescription drug benefit.

And most recently in July 2022, major health insurer Centene Corp. agreed to pay \$165.6 million to Texas to resolve claims that it overcharged the state’s Medicaid program for pharmacy services. This makes Texas at least the 12th state to settle pharmacy billing claims with Centene.

In sum, while we are aware of pressures to delay or repeal the Medicaid pharmacy benefit shift to NYRx, we believe that New York must move forward without delay. NYRx is pro-patient, pro-community, and pro-state taxpayers/Medicaid program integrity.

We thank you for enacting this policy change in the state FY 2020-21 final state budget. The State Department of Health has been preparing for this shift since 2020 and we are confident in their readiness to ensure a smooth transition for the patients we serve in the Medicaid program when it takes effect April 1, 2023.