THREE AXIS ADVISORS

46brooklyn

The Hidden Costs of Savings

ANTONIO CIACCIA

CEO & Co-founder | 46brooklyn Research

President & Co-founder | 3 Axis Advisors

My road

- After years of government affairs work at the Ohio Pharmacists Association, a few anecdotal reimbursement complaints from pharmacies grew into a loud chorus that pushed me into the bowels of the prescription drug supply chain.
- Severe pharmacy margin pressure in Ohio Medicaid managed care during a period of massive state drug spending growth drove me to search for where the money was going.
- Years of learning and digging led to the uncovering of hundreds of millions of dollars in hidden drug costs and a nationwide reckoning for drug pricing reform.
- Launched 46brooklyn Research in 2018 to publish and translate publicly available drug pricing data for free.

46brooklyn

- Launched 3 Axis Advisors in 2019 to help others solve drug pricing riddles using more extensive data research and analysis. Clients include Medicaid Fraud Control Units, government agencies, provider groups, research firms, technology companies, law firms, investment analysts, employers, benefit consultants, and private foundations.

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The field of play

Our drug distribution system

Primary players

- Drug manufacturers
- Drug wholesalers
- Pharmacies
- Pharmacy benefit managers
- Health insurers

Other players

- Group purchasing organizations
- Pharmacy services administrative organizations
- Repackagers/relabellers
- Rebate aggregators
- Benefits brokers/consultants

Our drug distribution system

Primary players

- Drug manufacturers *
- Drug wholesalers *
- Pharmacies *
- Pharmacy benefit managers *
- Health insurers *

Fortune 50

#1 Walmart *
#2 Amazon *
#4 CVS Health ****
#5 UnitedHealth Group ****
#9 McKesson *
#10 AmerisourceBergen *
#11 Costco **
#12 Cigna ****
#15 Cardinal Health *
#18 Walgreens **
#20 Elevance ***
#21 Kroger **
#26 Centene ***
#37 Johnson & Johnson *
#40 Humana ***
#43 Pfizer *

Our drug distribution system

While there are many smaller, independent players at each layer of the drug channel, it is reasonable to assume that the primary goal of the largest publicly traded companies is to increase returns to shareholders – it is their true fiduciary obligation.

This is important to remember – not because profit incentive is wrong – but because it's vital to understand the incentives that drive supply chain behavior.

In our efforts to control prescription drug costs, a proper calibration of incentives is necessary to ensure efficient spending and maintain robust access to pharmaceuticals.

What's the price?

When you make (things) vastly complicated ...
the system often goes out of control

Charlie Munger

Which price are you talking about?

MANY PRICES AVAILABLE FOR DRUGS IN THE U.S.

Drug prices are…

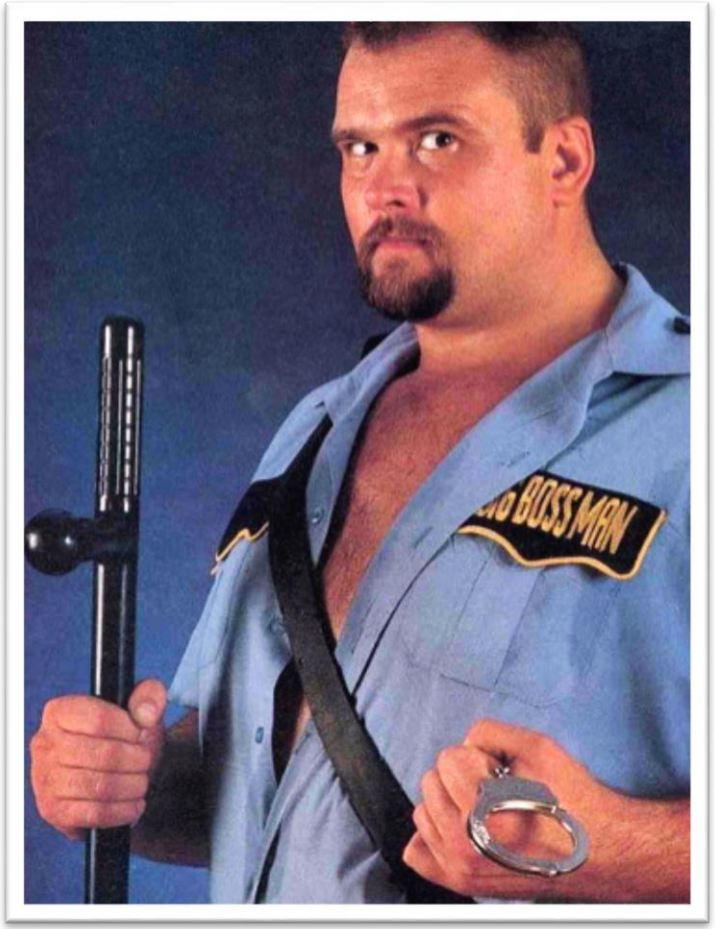
Hidden

Set by private deals – inefficient market

Prone to manipulation

Enter pharmacy benefit managers (PBMs)

- Decades ago, as more medicines entered the market and prescription drug costs grew, plan sponsors sought ways to holding spending accountable.
- PBMs were brought in to act as friction against drugmakers, wholesalers, pharmacies, and other members of the drug supply chain.



The evolving role of PBMs

- As PBMs worked to control one end of the drug supply chain, they began to develop business interests in the very marketplace that they were hired to control.

- Today, PBMs advertise that they are the only entity working to control prescription drug costs, but data shows that **PBM profits generated off prescription drug transactions heavily distorts their incentives to control drug spending for their clients.**

Are true drug costs going up or down? Are we getting a good deal? It's complicated.

- Because brand drug manufacturer rebates to PBMs, insurers, and "rebate aggregators" are confidential and vary widely from plan to plan, program to program, it's extremely difficult to pin down the net price being paid.
- Because government entities (VA, Medicaid, etc.) command such large rebates, smaller payers and patients who pay out-of-pocket pick up a disproportionate share of the overall cost.
- Because each plan/PBM promote utilization of different drug mixes, apples to apples comparisons of overall net costs is extremely difficult.
- **The inability to objectively determine what a fair price should be hinders the ability for true market forces to pressure drug supply chain margins and promote quality and efficiency.**

The system is built on "fake prices"

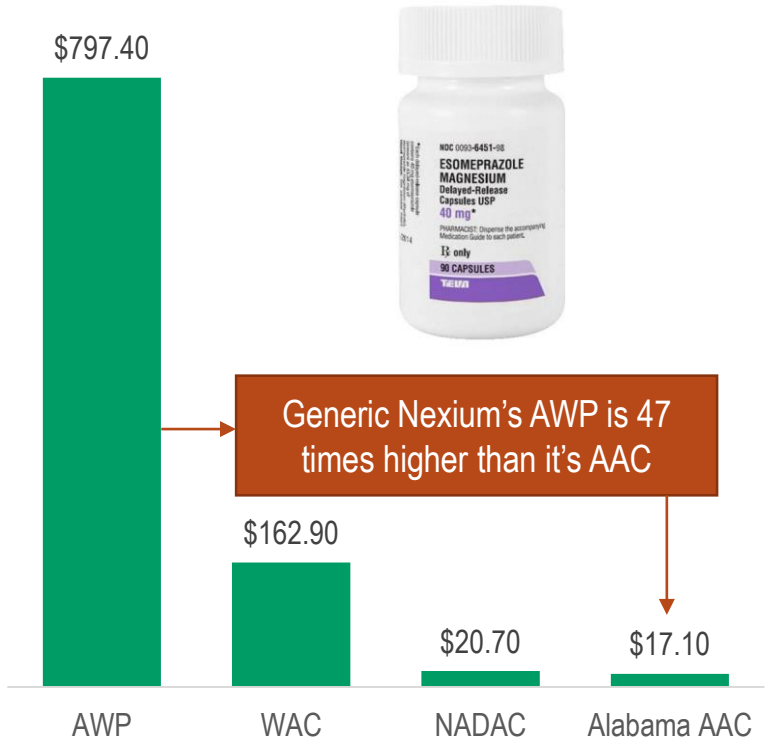
- List prices for prescription drugs are wildly overinflated relative to their actual cost.
- PBMs use those list prices (AWP) as the basis for their pricing guarantees to pharmacies and plan sponsors.
- Brand name drugs have high AWPs that are offset by negotiated rebates and discounts that make those net prices much lower.
- Generic drugs have high AWPs (derived from brand drugs) that in no way reflect the actual prices pharmacies pay to acquire those drugs.
- In both regards, the "actual" prices of both brand and generic drugs are hidden from the plan sponsor and patient.
- **Those who claim to provide "savings" on prescription drugs often quantify the value of those savings based on artificially inflated list prices that are borne out of industry dysfunction.**

The fallout of fake prices: Generic drugs

- In the U.S., every drug has multiple, different prices
- **Average Wholesale Price** (“AWP”) and **Wholesale Acquisition Cost** (“WAC”) are both unilaterally set by the manufacturer
  - Not dictated by competitive market forces
- National Average Drug Acquisition Cost (“NADAC”) is based on a voluntary national survey of pharmacy invoice costs
  - Is dictated by competitive market forces
- Alabama Actual Acquisition Cost (“AAC”) is based on a mandatory survey of pharmacy invoice costs
  - Is dictated by competitive market forces
  - Ohio Medicaid pursuing their own AAC survey under PBM redesign

Generic Nexium (Esomeprazole 40mg)

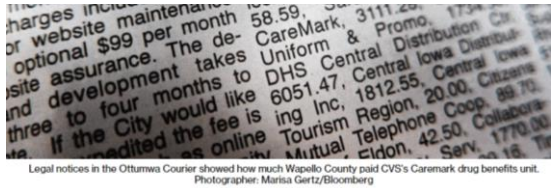
Median price for a 90 count bottle in June 2020



Source: MediSpan Price Rx, Elsevier Gold Standard Drug Database, CMS, 3 Axis Advisors

Spread pricing hits home in Ohio

- Ohio Medicaid audit revealed $244 million in **spread pricing** from Q2 2017 to Q1 2018
- Spread pricing = the difference between the reimbursements paid to pharmacies and the rates reported back to the payer; PBM retains the difference
- Ohio's state Auditor David Yost conducted his own audit, and found that spread equated to 31.4% of gross generic spending in Ohio Medicaid managed care



Legal notices in the Ottumwa Courier showed how much Wapello County paid CVS's Caremark drug benefits unit.
Photographer: Marisa Gertz/Bloomberg

The Secret Drug Pricing System Middlemen Use to Rake in Millions

By Robert Langreth, David Ingold and Jackie Gu
September 11, 2018

Not everybody reads the legal notices inside the Ottumwa Courier. But in January, Iowa pharmacist Mark Frahm noticed something unusual in the paper.

Illustration: Sarah Grillo/Axios

Data analyses from 46brooklyn Research, a new firm started by two people with experience in the pharmacy industry, outline historic trends of drug prices and costs in Medicaid programs across the country in an open, transparent format.

The Columbus Dispatch
SUNDAY
HAPPY FATHER'S DAY!
LEGENDARY SALE & CLEARANCE! FINAL 3 DAYS! FRONTROOM furnishings
Sunday, June 17, 2018 | You can find $146.64 worth of savings in today's newspaper. | High: 91 Low: 73 Details, B12 | dispatch.com | $2.50

DISPATCH INVESTIGATION

Medicine middlemen reap millions

By Lucas Sullivan and Catherine Candisky
The Columbus Dispatch

A middleman company hired to keep the state's prescription-drug prices in check for Ohioans on Medicaid is receiving millions in taxpayer money meant to provide medications for the poor and disabled.

Records of transactions provided to The Dispatch from 40 pharmacies across Ohio show that CVS Caremark routinely billed the state for drugs at a far higher amount than it paid pharmacies to fill the prescriptions. The state-sanctioned practice, known as "spread pricing," allows the middlemen, called pharmacy benefit managers, to keep the difference on medications used to treat health concerns ranging from mental illness to osteoporosis.

CVS Caremark received more than $1.6 million for

See MIDDLEMEN, A3

Press Releases · Ohio Auditor of State

Auditor's Report: Pharmacy Benefit Managers Take Fees of 31% on Generic Drugs Worth $208M in One-Year Period

Geographic Price-Spread Disparities Found in Medicaid Pharmacy Payments

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Thursday, August 16, 2018

Columbus - Ohio's Pharmacy Benefit Managers (PBMs) charged the state a "spread" of more than 31 percent for generic drugs – nearly four times as much as the previously reported average spread across all drugs, according to a new report by Ohio Auditor of State Dave Yost.

https://www.axios.com/data-showing-pbm-medicaid-drug-price-manipulation-1533059892-c2a97bcd-8874-42c2-a161-503e89666678.html
https://www.bloomberg.com/graphics/2018-drug-spread-pricing/ https://ohioauditor.gov/news/pressreleases/Details/5042 https://stories.usatodaynetwork.com/sideeffects/cost-cutting-middlemen-reap-millions-via-drug-pricing-data-show/

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The first domino falls

- After firing the legacy PBMs and announcing reprocurement for the entire Medicaid managed care program, litigation commences.
- June 14, 2021: Ohio Attorney General Dave Yost announces the first major victory over PBM overcharges
  - Centene agrees to settle case over alleged prescription drug markups that were found in 2018 to be more than $11 per prescription under the plan.
  - $88 million to Ohio
  - $55 million to Mississippi
  - More than $1.1 billion set aside for other states
  - First and largest settlement in the country secured by a state attorney general against a PBM over these alleged arbitrage practices.
- “I will accept an apology note that has a dollar sign and many zeroes after it.” - Yost

The Columbus Dispatch

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Centene's $88 million deal with Ohio comes on top of $1.1 billion set aside to cover other U.S. lawsuits

Darrel Rowland The Columbus Dispatch

Published 6:03 a.m. ET Jun. 14, 2021 | Updated 8:29 p.m. ET Jun. 14, 2021

View Comments

Video: Attorney General Dave Yost announces PBM settlement

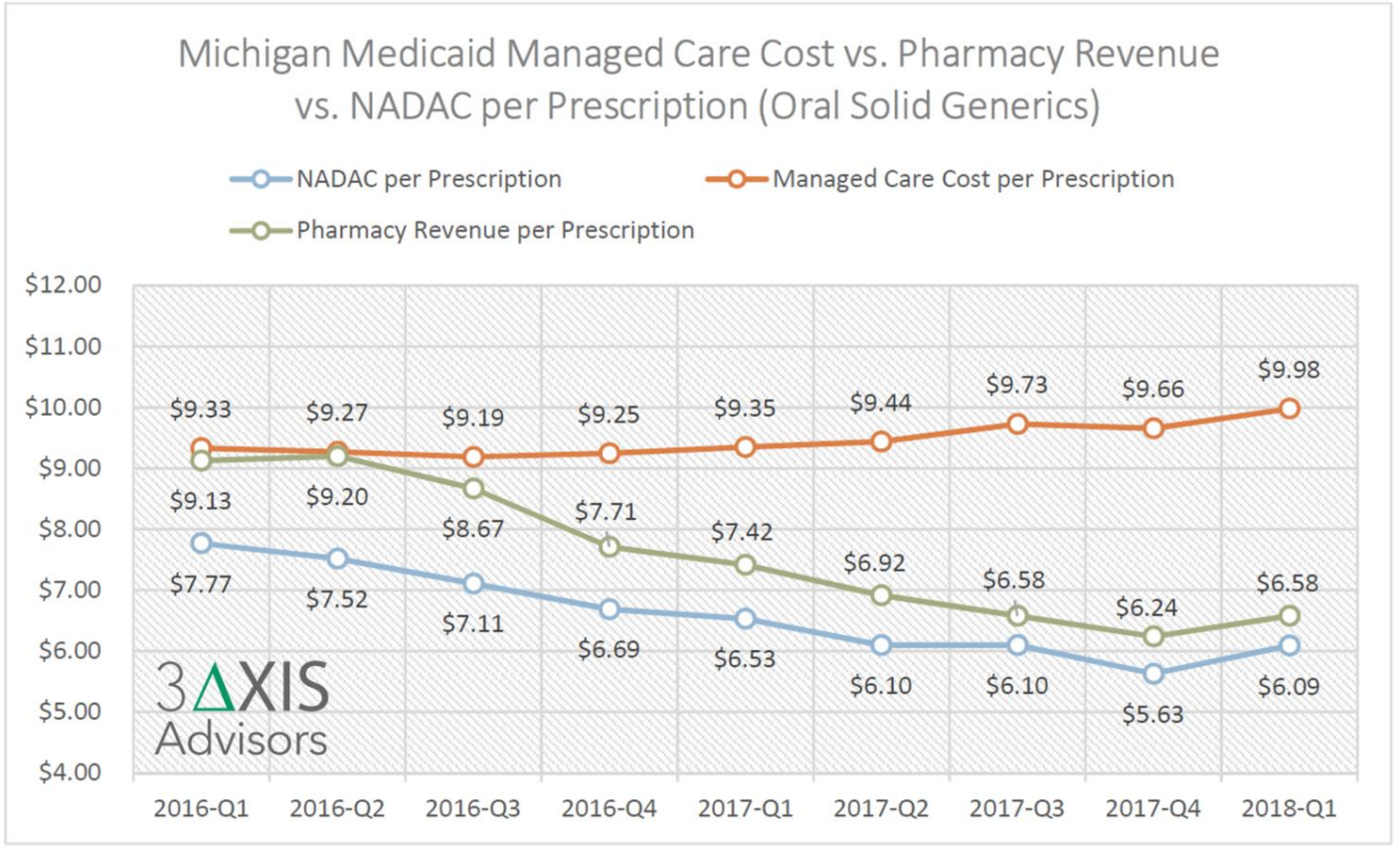
Ohio Attorney General Dave Yost announces a settlement against Centene, a pharmacy benefit management company. *The Columbus Dispatch*

One of the biggest lawsuit settlements in Ohio history should send a message to all pharmacy benefit managers and health-care companies taking advantage of patients and taxpayers: "Everybody's accountable," says Attorney General Dave Yost.

https://www.dispatch.com/story/news/2021/06/14/centene-to-settle-ohio-medicaid-lawsuit-attorney-general-dave-yost/7679946002/

Ohio isn't alone

- 3AA analysis of Medicaid managed care pharmacy claims in Michigan showed:
  - Drug costs going down
  - Pharmacy margins going down
  - PBM spreads going up
  - State costs going up
- Spread pricing allows pharmacy-affiliated PBMs to shift traditional pharmacy margins to the PBM side of their enterprise.



https://www.3axisadvisors.com/projects/2019/4/28/analysis-of-pbm-spread-pricing-in-michigan-medicaid-managed-care

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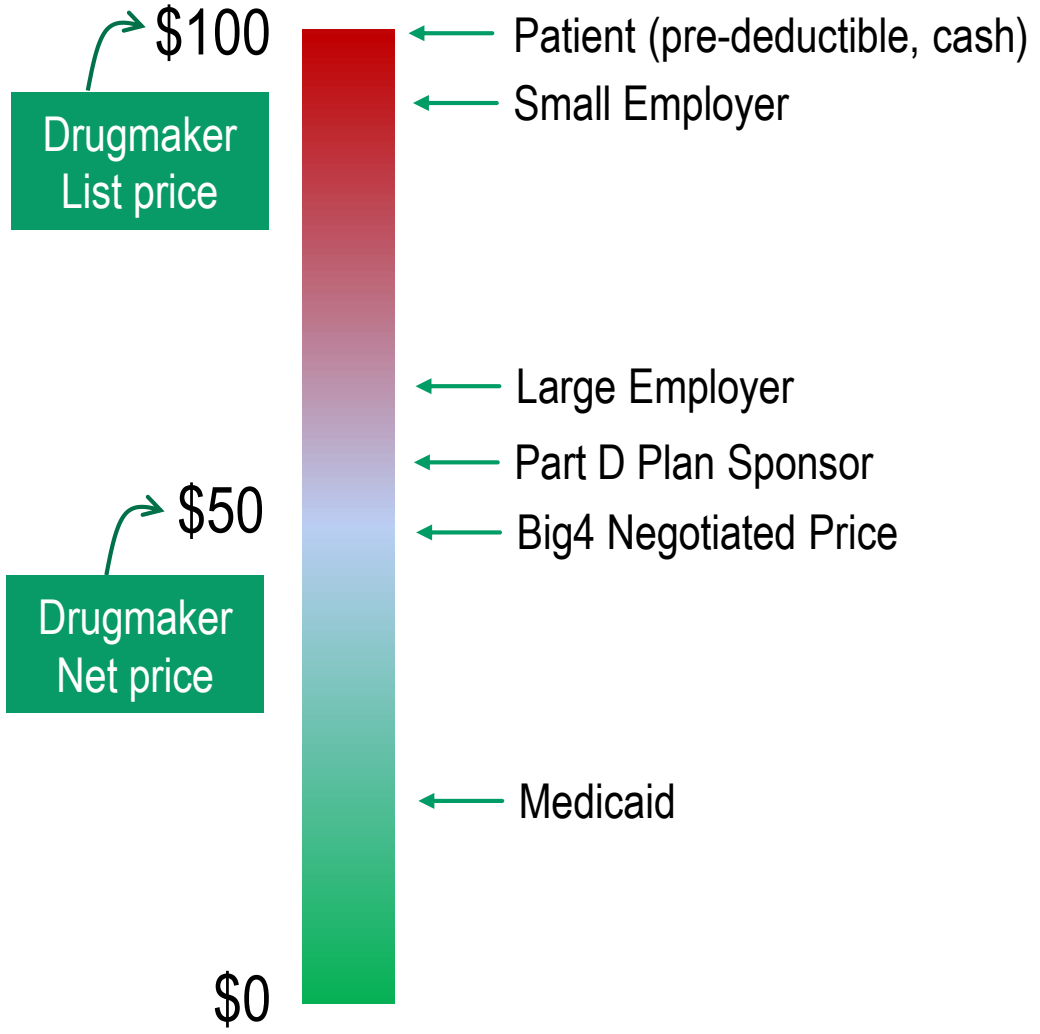
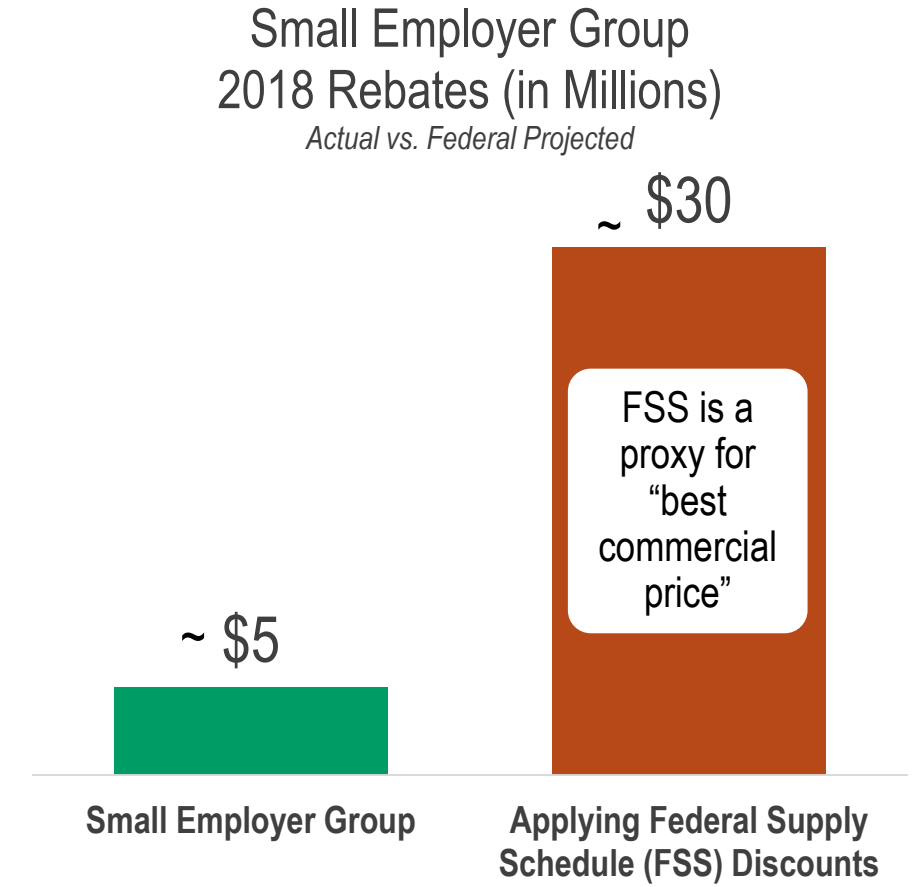
The fallout of fake prices: Brands

- Price discrimination is a strategy that charges customers different prices for the same product based on what the seller thinks they can get the customer to agree to
- PBM and drug manufacturer negotiate a net price, but the extent to which that true net price is captured by the payer depends on the payer's access to information and negotiating leverage
- Hidden rebates are the key enabler allowing the drug supply chain to capture benefits of drug price discrimination



Where are those savings for small U.S. employers?

- We had the opportunity to analyze data for a group of small self-insured employers
- Total group spending on brand name drugs exceeded $110 million in 2018
- On that spend, we identified only ~$5 million in rebates
- In a world free from drug price discrimination, where all employers received the “best commercial price,” **their rebates would have been roughly 6x higher**
- PBMs (and/or affiliated insurance companies) appear to have retained these rebates



Source: 3 Axis Advisors analysis

How the "rebate" retention game works

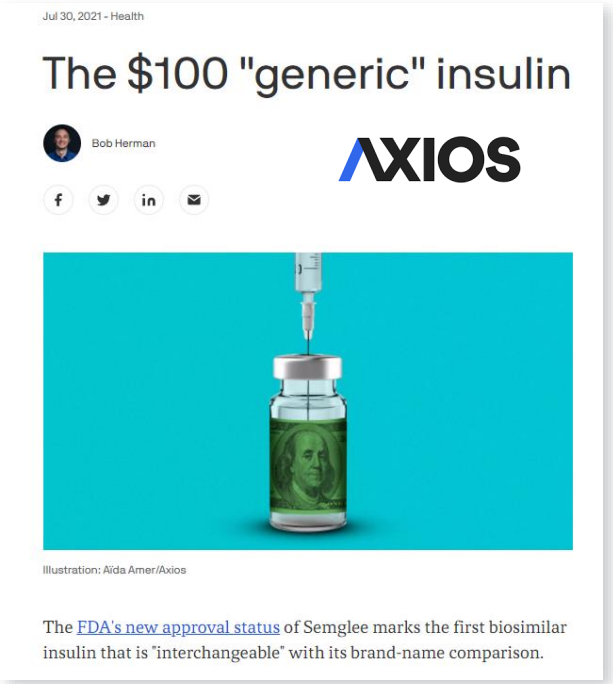
- Rebate aggregators leverage the size of their managed population to extract price concessions from drug makers
  - The three largest PBMs all own or are affiliated with a rebate aggregator (CVS/Zinc, ESI/Ascent, Optum/Emisar)
- Rebate aggregators use the tools in the green box to reclassify and selectively share money received from pharma
  - Only a few of the manufacturer revenue categories are passed through to the PBM
- Clients get rebate guarantees, but on a meaningless per claim basis, which is impossible to audit back to the aggregator
  - An employer at best only has visibility into a few of the manufacturer revenue categories
- The higher list prices rise, the more price concessions a PBM can collect and retain

Pharma Revenue Category

- Standard Rebate Definition
- Incentive rebates categorized as mail-order purchase discounts
- Credits
- Market Share Incentives
- Promotional Allowances
- Commissions
- Market Share Utilization
- Drug pull-through programs
- Implementation Allowances
- Rebate Submission Fees
- Formulary Placement Fees
- Administrative Fees
- Inflation Caps/ Pricing Protection
- Price Concessions
- Performance-based Incentives
- Data Fees
- Volume-based Incentives

What's baked into high drug prices?

- Drugs in competitive classes suffer from massive disconnects between list prices and net prices.
- PBMs often have patients pay the list price, while keeping the discounted rate for themselves.
- **Any drug pricing reform that does not address this dysfunctional system structure omits one of the primary mechanisms that inflate the prices of medicine.**



Jul 30, 2021 - Health

The $100 "generic" insulin

Bob Herman

AXIOS

Illustration: Aïda Amer/Axios

The FDA's new approval status of Semglee marks the first biosimilar insulin that is "interchangeable" with its brand-name comparison.

By the numbers: The list price of Lantus is $283.56 per vial and $425.31 per five-pen package, whereas the list price of Semglee is $98.65 per vial and $147.98 per five-pen package.

- Richard Evans, a drug pricing analyst at SSR Health, estimates the average net price that is paid to Sanofi for Lantus, after rebates and other fees are paid to industry middlemen, is roughly 13% of the list price — or about $37 per vial and $55 per five-pen package.

https://www.axios.com/fda-biosimilar-insulin-viatris-semglee-interchangeable-d8ffac02-c4e7-4282-b087-1ea32e432c72.html

Even when cheap generics are available, the largest insurers and PBMs force patients to take far more expensive brands

- In Q3 2021:
  - Brand Tecfidera WAC: $8275/mo
  - Generic NADAC: $184/mo
- Despite brand Tecfidera being around $8,000 more expensive than the generic, more than half of seniors are in Part D plans that require them to pay for the brand.

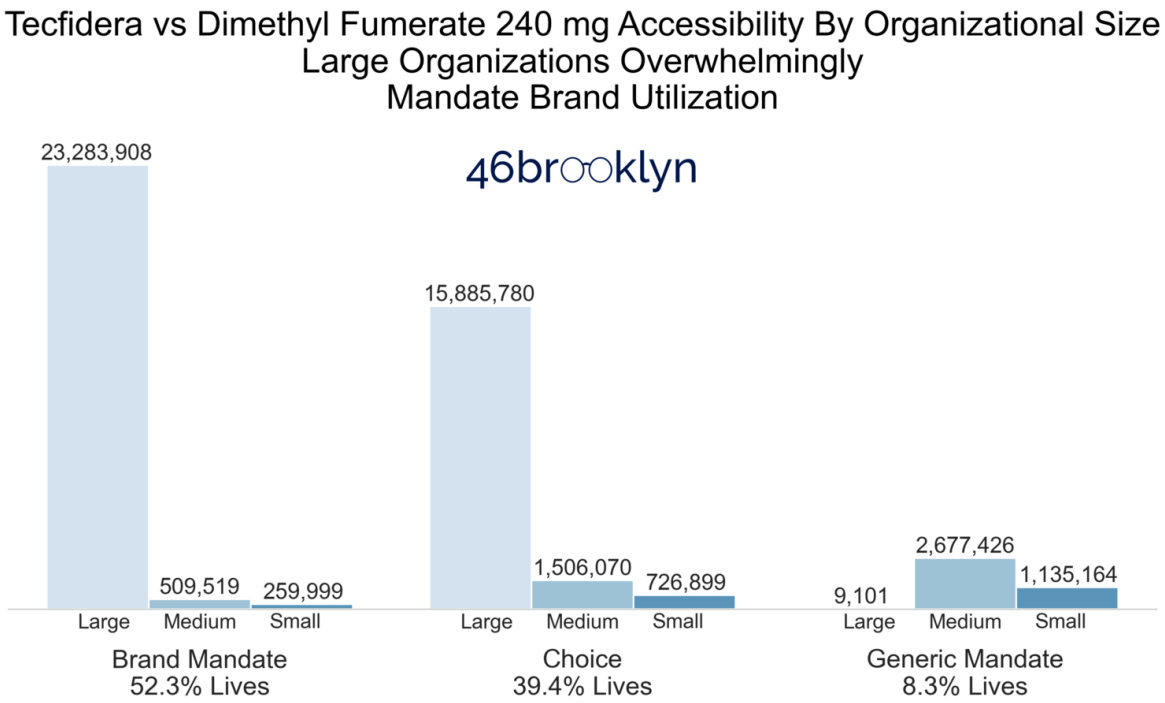

MarketWatch · Latest Watchlist Markets Investing

'Grandma and grandpa aren't going to figure this one out.' Prescription-drug savings vanish in the Medicare shuffle

Last Updated: Dec. 11, 2021 at 11:04 a.m. ET
First Published: Dec. 10, 2021 at 11:13 a.m. ET

By Eleanor Laise

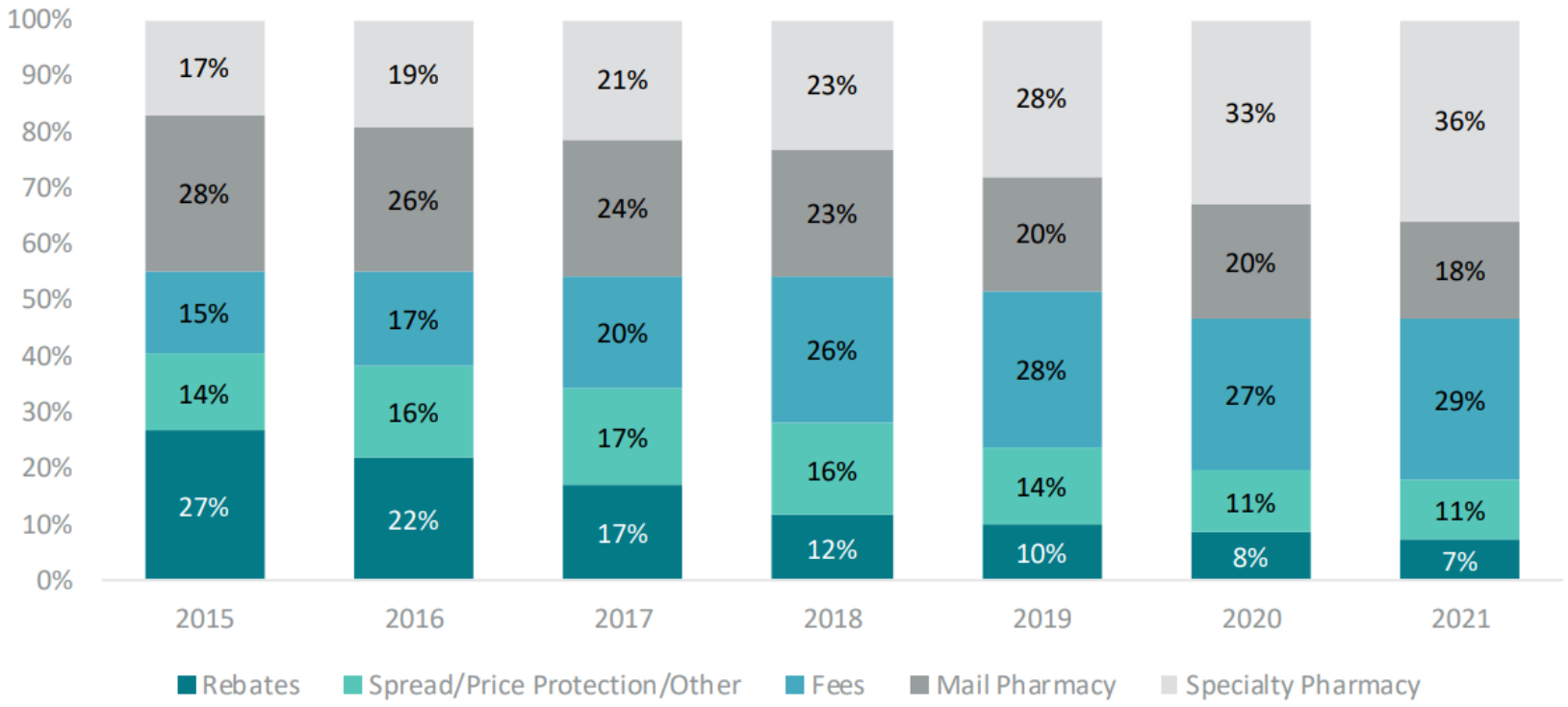
Biogen's blockbuster multiple sclerosis drug Tecfidera is an example of how patients don't always benefit from low-cost generic competition, researchers say



Sources: https://www.46brooklyn.com/research/2021/12/1/tecfidera
https://www.marketwatch.com/story/grandma-and-grandpa-arent-going-to-figure-this-one-out-prescription-drug-savings-vanish-in-the-medicare-shuffle-11639152848

As "spread" and "rebate" scrutiny grows, PBM focus turns to fees and specialty

PBM Gross Profit by Profit Pool (CVS, CI/ESI, OptumRx):
PBM Profits Have Shifted from Rebates and Spread to Fees and Fulfillment

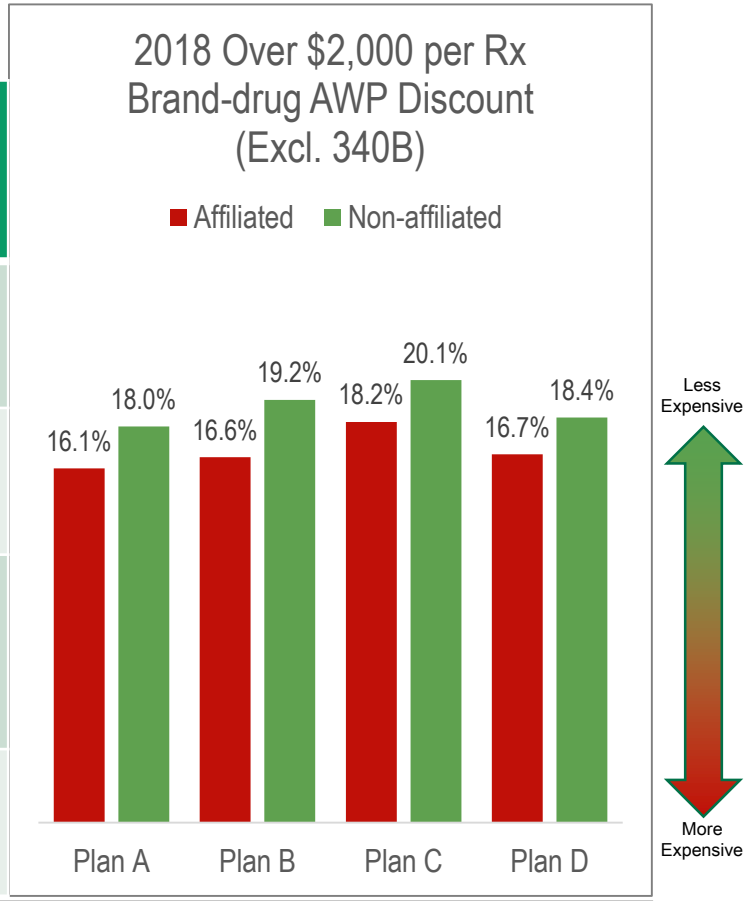


Source: Nephron Research

The fallout of fake prices: Brand specialty drug differential pricing

Percentage of Brand Drug Claims Filled by Affiliated Pharmacy
Florida Medicaid Managed Care Claims Data (excl. 340B)

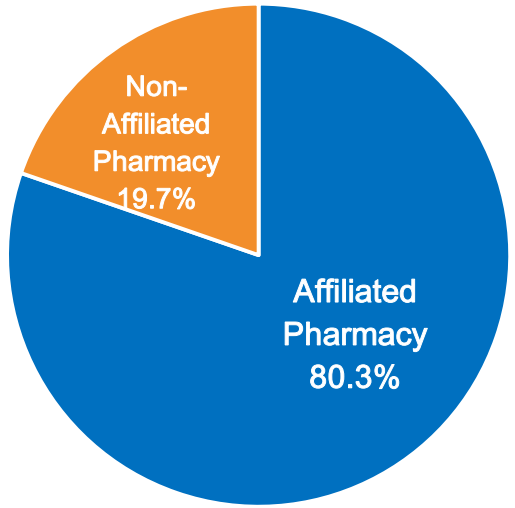
2018-19	Under $2,000 per Rx	Over $2,000 per Rx
Plan A	0.6%	60.2%
Plan B	0.4%	53.0%
Plan C	0.3%	18.2%
Plan D	0.2%	44.9%

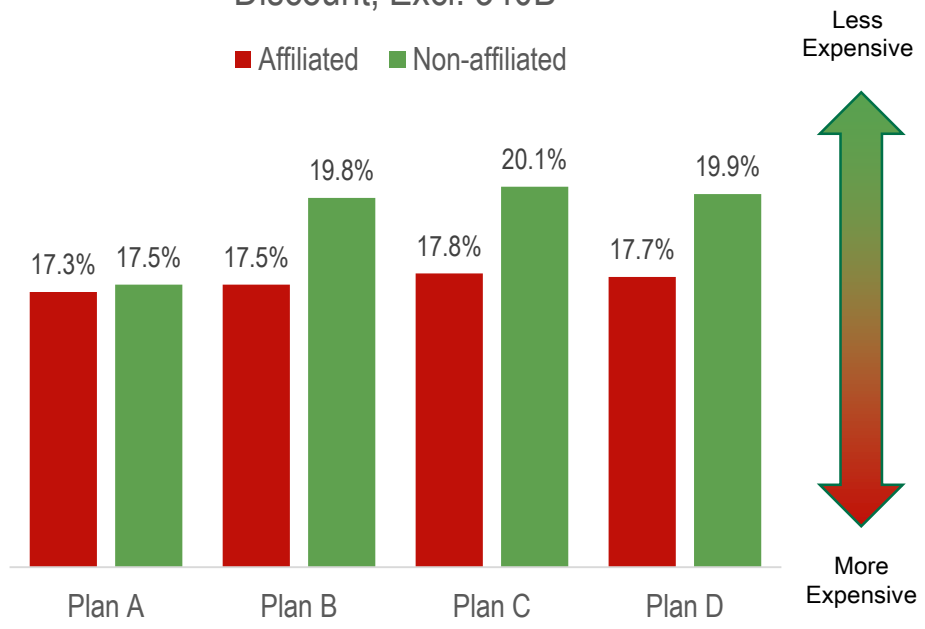


In Florida, specialty drugs are not only steered to affiliated pharmacies, but they are also more expensive at affiliated pharmacies!

https://www.3axisadvisors.com/projects/2020/1/29/sunshine-in-the-black-box-of-pharmacy-benefits-management

The fallout of fake prices: Humira differential pricing





If Florida Medicaid would have recognized the non-affiliated pharmacy cost on the claims within the affiliated pharmacies, over $1.5 million in savings would have been realized on Humira alone.

https://www.3axisadvisors.com/projects/2020/1/29/sunshine-in-the-black-box-of-pharmacy-benefits-management

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Differential generic drug pricing & steering

- In Ohio, after spread pricing was eliminated and “pass-through” pricing was implemented in Medicaid, PBMs began overpaying pharmacies on specialty drugs, which PBMs tend to steer through their own pharmacies.
- This enabled PBMs to margin-shift dollars from spread to specialty medications filled at their affiliated pharmacies.
- These problems persist today, but are by no means unique to Ohio and by no means unique to Medicaid programs.

Special prices

CVS Caremark already was charging a healthy price markup in providing specialty prescription drugs to some Ohio pharmacies through the Medicaid program in 2018. But when the state removed the pharmacy benefit manager’s “spread pricing” revenue stream in 2019, the prices went way up — far above the National Average Drug Acquisition Cost maintained by the federal government. The move by CVS’ PBM presumably benefited the company greatly because it requires many specialty drugs to be bought from CVS’ own pharmacies. The prices below are per pill.

Specialty drug	2018 price for Ohio	2018 US avg price	2018 markup	2018 % markup	2019 price for Ohio	2019 US avg price	2019 markup	2019 % markup
SILDENAFIL 20 MG TABLET	$3.45	$0.24	$3.21	1,338%	$3.90	$0.16	$3.74	2,338%
IMATINIB MESYLATE 400MG TAB	$120.00	$83.00	$37.00	45%	$270.00	$14.50	$255.50	1,762%
ENTECAVIR 0.5 MG TABLET	$5.70	$4.21	1.49	35%$	30.00$	1.86	$28.14	1,513%
CAPECITABINE 500 MG TABLET	$7.40	$5.40	$2.00	37%	$29.00	$3.33	$25.67	771%
TACROLIMUS 5 MG CAPSULE	$2.20	$2.86	$(0.66)	-23%	$3.50	$1.52	$1.98	130%
OTEZLA 30 MG TABLET	$51.00	$49.88	$1.12	2%	$58.00	$54.75	$3.25	6%

SOURCE: DISPATCH ANALYSIS OF MEDICAID PRESCRIPTION DATA FROM SOME THREE DOZEN OHIO PHARMACIES

Reference: https://www.46brooklyn.com/research/2019/4/21/new-pricing-data-reveals-where-pbms-and-pharmacies-make-their-money; https://www.dispatch.com/news/20190430/ohio-medicaid-officials-to-crack-down-on-pbm-specialty-drug-practice

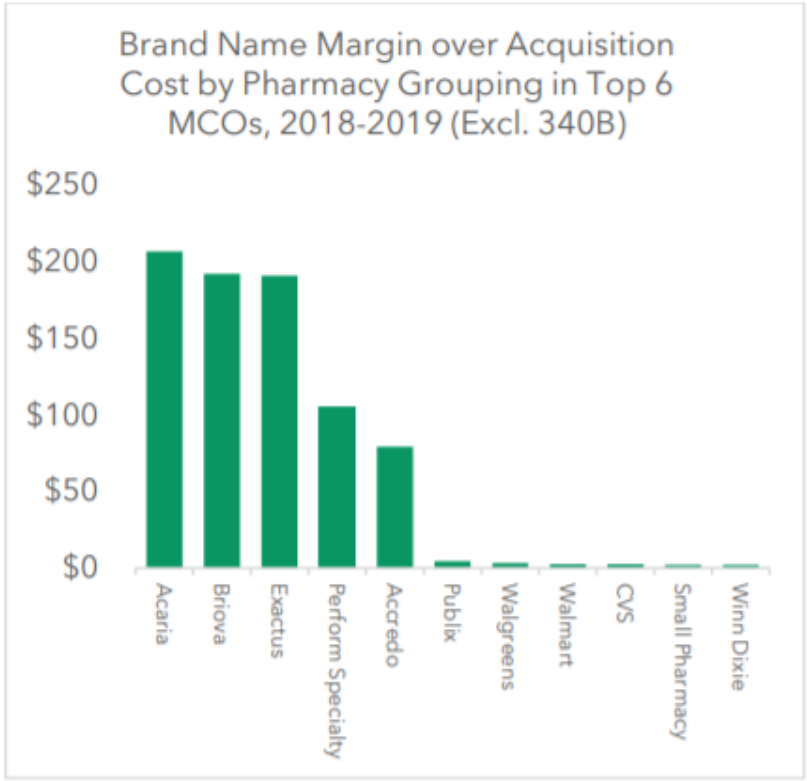
PBMs are steering specialty drugs, and then overpaying themselves on them

- 3 Axis has investigated specialty pharmacy steering and drug mispricing for small commercial payers
- We found that “cheap” generic drugs were filled at pharmacies affiliated with a PBM/Health Plan only 11% of the time, with a $26 profit to the pharmacy
- Meanwhile, “expensive” generic drugs were filled at pharmacies affiliated with a PBM/Health Plan 51% of the time, with a $3,448 profit to the affiliated pharmacy
- Employers have no way of knowing if they are getting fair prices for specialty drugs as the PBM is removing all pharmacy competition

Small Commercial Payer Analysis		
	<$1,000 per claim	**>$1,000 per claim**
Percent of generic drug claims filled at affiliated pharmacy	11%	51%
Gross profit per generic drug claim	$26	$3,448

The value of specialty pharmacy

- When comparing margins over NADAC in our Florida Medicaid analysis, it was overwhelmingly apparent that PBM-owned pharmacies received significantly more margin per prescription than traditional community pharmacies
  - Example: For Sunshine/Centene, 95% of all generic Gleevec 400 mg claims were filled at Acaria, Centene's wholly owned specialty pharmacy, at a Margin over NADAC of $4,399 per claim



https://www.3axisadvisors.com/projects/2020/1/29/sunshine-in-the-black-box-of-pharmacy-benefits-management

Rise of the effective rates

- New phenomenon emerges where PBMs “overpay” pharmacies relative to their contract terms, building up on excess that can be clawed back at a later date
- July 2019: Dispatch exposes these “effective rate clawbacks” as a new way that PBMs could arbitrage prescription drug claims. PBMs deny engaging in clawbacks; pharmacists warn each other that newly found margins are illusory

The Columbus Dispatch

Pharmacy benefit managers poised to grab money they've already paid to Ohio pharmacists

MARTY SCHLADEN AND CCANDISKY@DISPATCH.COM | THE COLUMBUS DISPATCH

July 14, 2019

Struggling Ohio pharmacists have been encouraged in recent months that one of two companies that determine their Medicaid reimbursements has been paying a little better for prescription drugs since the issue blew up last year.

But numerous pharmacists — and the drug-buying groups that represent them — fear that middlemen OptumRx and CVS Caremark will both take a big chunk of their money back in the coming months.

The issue of Medicaid reimbursements has been hot in Ohio, with community pharmacists saying pharmacy benefit managers such as OptumRx and CVS Caremark are paying so poorly that they're driving them out of business, and in some cases, threatening to deprive needy communities of health care. In fact, Ohio Board of Pharmacy license data show that 400 pharmacies have closed in the Buckeye State since 2013.

Meanwhile, OptumRx and CVS Caremark have been scooping up a big share of drug spending by Ohio's Medicaid program, a state-federal health insurance setup for the poor, blind and disabled. As part of its Side Effects investigation of pharmacy benefit managers, The Dispatch last year prompted a state-funded analysis showing that in a single year OptumRx and CVS charged taxpayers (through managed care organizations that run Medicaid) $244 million more for Medicaid drugs than they paid Ohio pharmacists.

Nate Hux helps a customer with their prescription order at Pickerington Pharmacy in Pickerington for the PBM issue May 10, 2018.[Eric Albrecht/Dispatch]

Source: https://stories.usatodaynetwork.com/sideeffects/pharmacy-benefit-managers-poised-to-grab-money-theyve-already-paid-to-ohio-pharmacists/

29

Rise of the effective rates

- In Michigan, after spread pricing was eliminated in 2018, pharmacy reimbursements started rising (100%-125% increase under OptumRx and CVS/Caremark).
- We later learned from pharmacies that much of the increased payments were clawed back.
- In a pass-through pricing model, plan sponsors lose auditing visibility once reimbursement hits the pharmacy.
- By overpaying at the point of sale, and clawing back excess payments later, PBMs have shifted spread to post-adjudication and out of sight from plan sponsors.

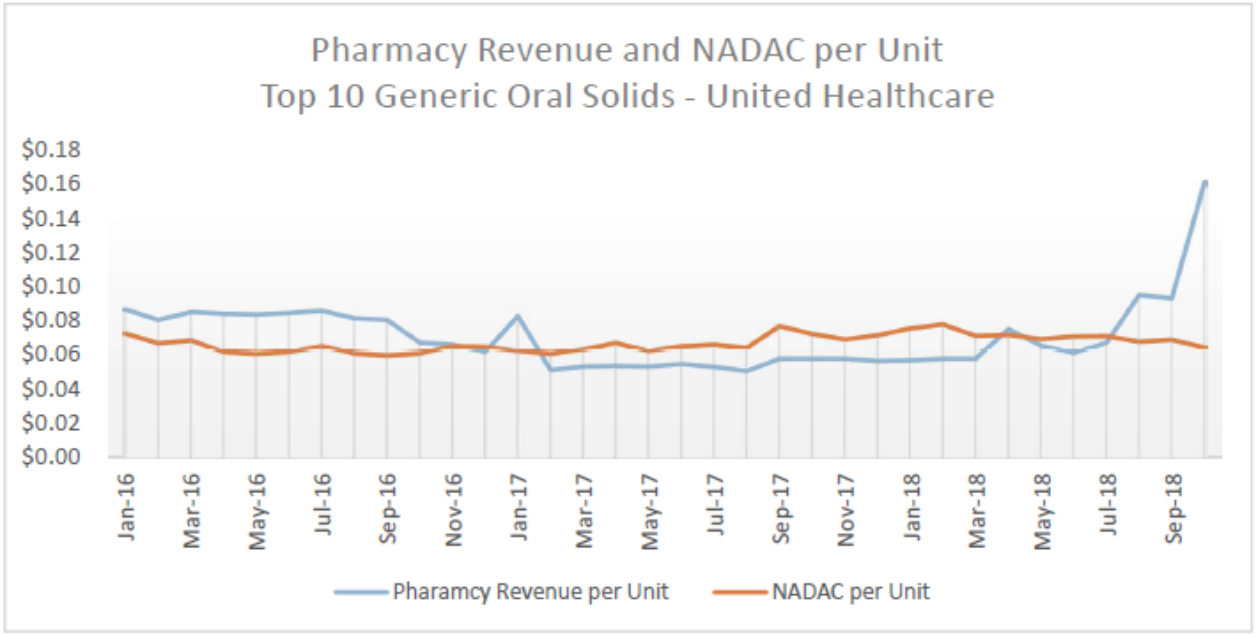


Table 8 - OptumRx and CVS/Caremark Rate Changes, July 2018 to October 2018

	OptumRx	CVS/Caremark
Total generic drugs in sample	1,096	989
Number of drugs that experienced a per unit increase in pharmacy revenue between July 2018 to October 2018	992 *(91% of total)*	785 *(79% of total)*
Average % change in per unit drug reimbursement	105%	125%

Reference: https://www.3axisadvisors.com/projects/2019/4/28/analysis-of-pbm-spread-pricing-in-michigan-medicaid-managed-care

Rise of the effective rates

The Columbus Dispatch

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FOR SUBSCRIBERS NEWS

'I just see fraud all over this': Insiders detail how clawbacks drive up drug prices, hurt pharmacies

Darrel Rowland The Columbus Dispatch

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Video: Attorney General Dave Yost announces PBM settlement

Ohio Attorney General Dave Yost announces a settlement against Centene, a pharmacy benefit management company. *The Columbus Dispatch*

Elie Bahou says he remembers well when the order came down about a decade ago from the front office of his multibillion-dollar employer: Come up with new tactics to make more money.

"Elie Bahou says he remembers well when the order came down about a decade ago from the front office of his multibillion-dollar employer: Come up with new tactics to make more money.

'We were sitting around one day looking for ways to generate more revenue and the C suite kept pushing us for more and more,' Bahou recalled. **'That was my employer trying to squeeze more and more and more dollars.'**

Thus was born a concept most have never heard of: effective rate clawbacks."

Reference: https://www.dispatch.com/story/news/2021/07/15/prescription-drug-clawbacks-pharmacy-benefit-managers-ohio/7817914002/

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The books are still cooked

“Pharmacy benefit managers are making millions of dollars through Ohio's Medicaid program for which Medicaid can't account.

That's because the PBMs are collecting controversial cash ‘clawbacks’ from pharmacies after the state has closed its books on prescription-drug purchases for more than 3 million poor and disabled Ohioans, Medicaid Director Maureen Corcoran acknowledged Wednesday before a legislative watchdog panel.

So the actual cost of hundreds of thousands of Medicaid drug transactions as recorded by the state and reported to the federal government in recent years is inaccurately inflated.

Not only that, but PBMs also are violating at least the intent and spirit of an Ohio law banning clawbacks, as well as a measure mandating pass-through pricing, Corcoran said. The latter requires PBMs to charge the state the same price they pay pharmacists to fill a prescription for a Medicaid recipient.

After the Joint Medicaid Oversight Commission meeting, Corcoran added another revelation: **The data on which Ohio Medicaid relies to set its payment rates — including how much state and federal taxpayers are assessed — likely are wrong as well.”**

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NEWS

Medicaid chief quietly drops bombshell: Millions obtained by PBMs unaccounted for by state

Darrel Rowland
The Columbus Dispatch

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Ohio Medicaid Director Maureen Corcoran responds to questions from members of the Joint Medicaid Oversight Committee in August 2020. *Adam Cairns/Dispatch*

Pharmacy benefit managers are making millions of dollars through

Reference: https://www.dispatch.com/story/news/2021/10/27/health-care-monopoly-raises-drug-costs-consumers-pharmacists-say-pbms-prescription-cvs-united-cygna/8513593002/

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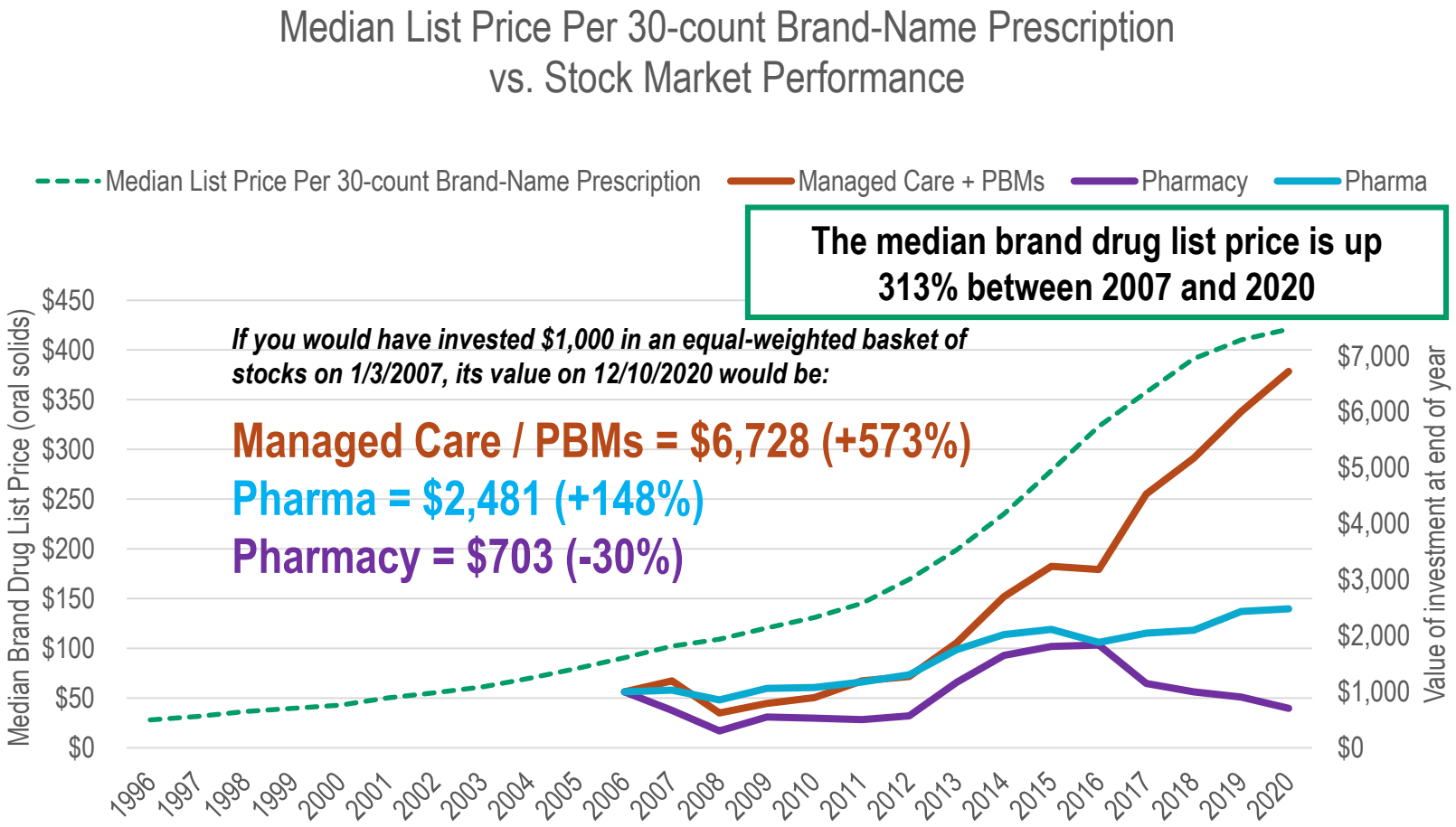
Who is really benefitting from higher U.S. drug list prices?



Source: MediSpan Price Rx, Yahoo Finance, 3 Axis Advisors

Managed Care / PBMs = Cigna, CVS, United Healthcare, Centene, Molina, Anthem, Humana
Pharma = Pfizer, Bristol Myers Squibb, Viatris, Teva, Merck, J&J, AstraZeneca, Novartis, GSK, Sanofi
Pharmacy = Walgreens, Rite Aid
NOTE: 2020 stock prices are through Dec 10, 2020

Strategies for repairing PBM misaligned incentives

- Medicaid “carve-outs” or single PBM w/ objective pricing benchmarks
- Pass-through pricing, full transparency
- Prohibitions on patient steering
- Bans on spread pricing
- Bans on gag clauses and co-pay clawbacks
- Share the savings – pushing rebates to patients/plan sponsors
- Reverse auctions
- Fiduciary requirements

antonio@3axisadvisors.com

Twitter:
@A_Ciaccia