

February 7, 2020

The Honorable Buddy Carter  
United States House of Representatives  
2432 Rayburn House Office Building  
Washington, DC 20515

The Honorable Tony Cárdenas  
United States House of Representatives  
2438 Rayburn House Office Building  
Washington, DC 20515

Dear Representatives Carter and Cárdenas:

The National Community Pharmacists Association (NCPA) is writing today in support of H.R. 5281, the *Drug Price Transparency in Medicaid Act of 2019*, which would ban the use of spread pricing by pharmacy benefit managers (PBMs) as it relates to Medicaid managed care.

NCPA represents America's community pharmacists, including over 21,000 independent community pharmacies. Together they represent a \$76 billion health care marketplace, employ approximately 250,000 individuals on a full- or part-time basis, and provide pharmacy services to millions of patients every day.

In Medicaid managed care plans, states contract with managed care organizations (MCOs) to provide medical care and prescription drug coverage for a fixed annual fee per patient. Under managed care, the pharmacy benefit managers contracted to the MCOs are not required to reimburse pharmacies under the same standard as federal guidelines stipulate for fee-for-service Medicaid. The result is that in managed care, pharmacies are often under-reimbursed for both ingredient costs and their actual costs to dispense a medication.

For years, community pharmacists have said that PBMs have been playing spread pricing games, contributing to higher drug costs to the detriment of patients and the taxpayer-funded programs they are supposed to serve. Recent studies of Medicaid managed care programs in Ohio, Michigan, Kentucky, and New York as well as a scathing state auditor's report in Pennsylvania have indicated that PBMs are overcharging taxpayers for their services in Medicaid managed care, reimbursing pharmacies low for medications dispensed, billing the state Medicaid program high for the cost of those medications, and retaining the difference, called "spread." Arkansas, Georgia, Louisiana, Ohio, and New York prohibit spread pricing in their Medicaid managed care programs. Federally, CMS has issued guidance prohibiting MCOs in Medicaid managed care programs from counting the "spread" towards medical costs in the medical loss ratio.

H.R. 5281 affirms that spread pricing would be unallowable for purposes of claiming federal matching payments under Medicaid. The legislation also requires that administrative service fees paid to PBMs be limited to reasonable administrative fees and that such fees be reported to Congress/state(s) upon request. More importantly, Medicaid managed care PBMs would be required to reimburse pharmacies based on ingredient cost and a professional dispensing fee, which must be no less than reimbursement under the fee-for-service program. Ingredient cost would be based on data from the National Average Drug Acquisition Cost (NADAC) report. Pharmacies would be required to participate in the survey and the monthly responses would be publicly available. NADAC is a transparent reimbursement benchmark which normally reflects the cost of acquiring prescription medications. When coupled with a commensurate professional dispensing fee, it is a reasonable and transparent way to reimburse pharmacies for prescription drugs.

NCPA supports passage of the *Drug Price Transparency in Medicaid Act of 2019* to provide some much-needed transparency and to end spread pricing, one of the more egregious practices of PBMs that contribute to higher drug costs for patients and inflated spending of taxpayer dollars, while harming small business pharmacies. NCPA thanks Reps. Buddy Carter and Tony Cárdenas for their leadership in addressing this issue, and we look forward to working with you to advance this legislation.

Sincerely,



Karry K. La Violette  
Senior Vice President of Government Affairs & Director of the Advocacy Center  
National Community Pharmacists Association