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The Case for States Regulating Medicaid Managed Care Pharmacy Benefit Managers Claims Charges

Executive Summary

History of the Problem of Medicaid Managed Care PBM Prescription Claim Cost Overcharges

State Medicaid programs started moving pharmacy benefits into Medicaid managed care (MMC) programs in the early 2010's. Since then, states discovered a history of overcharging on the part of MMC Pharmacy Benefit Managers (PBMs) through excessive administrative charges, spread pricing and other hidden charges to states.

These practices result in increased per capita payments for state Medicaid programs which created excessive profits for PBMs. These PBMs also frequently reimburse pharmacies for less than their cost to dispense Medicaid Managed Care Rx claims, restricting or eliminating Medicaid patients' access to care.

States MMC Rx Reform Approaches

Of the 35 States that have their Medicaid prescription benefit program "carved into Medicaid managed care, the following states over the past 10 years, states have taken various steps to address or reform this abuse:

- **4 states** have acted to "**carve out**" their Medicaid prescription benefit program from MMC back into their Medicaid Fee for Service Program and have **saved \$631.5 Million**
- **8 states** have instituted an **actual cost reimbursement** mandate for MMC prescriptions which **saved taxpayers over \$1.27 Billion**.
- **14 states and the District of Columbia** have **conducted studies** related to Medicaid Managed Care prescription claims practices – **uncovering** evidence of MMC Rx **overbilling practices over \$1.3 Billion**
- **16 states** have introduced legislative and /or administrative reforms to address MMC PBM overbilling

In the 12 states that enacted MMC Rx reforms through either a FFS carve out or mandated actual Rx cost reimbursement formulas have seen or budgeted to save over \$1.9 BILLION in State dollars even with greater dollars to pharmacies to protect and enhance Medicaid patients' Rx access.

States Medicaid Fraud Cases against Medicaid Managed Care PBM Rx Claims Overcharges

Because of MMC Rx overbilling studies & other investigations, **17 State Attorney Generals** have sued the largest MCO - Centene- for Medical Rx fraud, resulting **\$927.6 Million in fraud settlements**. At least 3 more State AG's are pursuing Medicaid fraud cases against Centene, which has set aside up to \$1.5 billion for these cases.

Other Medicaid Managed Care Prescription Management States Need to Enact Reforms

In light of the studies documenting MMC Rx overcharges, the 12 states that have enacted reforms, the 17 state Medicaid fraud suit settlements and the HHS Inspector General issuing a report calling on states with Medicaid Rx "carved into" Managed Care to take action to reign MMC PBM Rx charges, the **remaining 23 States with Rx benefits "carved into" Managed Care also need to enact cost-based transparent Medicaid Rx reimbursement mandates to protect taxpayers, vulnerable Medicaid patients and the pharmacies providers they depend on for access to their vital prescription services' needs.**