



Ohio Department of Medicaid (ODM) Analysis of Pass-Through Pricing Implementation

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Prepared for:
Ohio Department of Medicaid
Director Corcoran

Submitted by:
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Dear Director Corcoran,

On behalf of HealthPlan Data Solutions, Inc (HDS), we would like to thank you for the opportunity to submit this analysis on the implementation of pass-through pricing for prescription claims paid for by the five managed care plans (MCPs) contracted with the Ohio Department of Medicaid (ODM) in the first quarter of 2019.

Introduction

HealthPlan Data Solutions, Inc. was hired by the Ohio Department of Medicaid to analyze and verify the effects of the transition from a traditional, spread pricing PBM contract model to a pass-through model between each of the Managed Care Plans (MCP) and their Pharmacy Benefit Managers (PBM).

The following areas were analyzed in this study:

1. Verification that a pass-through pricing model has been implemented and adhered to by the PBMs contracted by the MCPs since 01/01/2019
2. Comparison of payments to pharmacy providers Q4 2018 and Q1 2019. The comparison will show the change in payments by drug category and the overall change in reimbursement by aggregate AWP discount.
3. Identify any variance in reimbursement by pharmacy provider type (Mail vs. Retail) and by ownership, identifying any potential anti-competitive pricing methodologies being used by the PBMs
4. Comparison of ingredient costs by generic product indicator (GPI) and national drug code (NDC), identifying any significant differences by MCP for Q1 2019, including variances in average unit ingredient cost and average unit price paid by GPI code
5. Identify any miscategorization of medications and subsequent overpricing for Q1 2019
6. Provide recommendations for correcting drug miscategorization and pricing issues
7. Report on the percentage of specialty drug Rx claims filled at PBM owned specialty pharmacies
8. Calculate by MCP the aggregate Average wholesale price (AWP) discount for each prescription category and the PBM performance against the contract terms
9. Provide a comparison of MCP pricing for Q1 2019 to the HDS BenchMarket price, which is a survey-based market competitive price for multisource generic medications

Summary of Findings

HDS was able to validate and match approximately 80% of the ODM Encounter Claims to the PBM Supplemental data. In future analysis, this could be improved by directing the PBMs to supply the entire claims file directly to HDS.

HDS was able to confirm that the reported price paid by the five MCPs matched the reported price paid to the pharmacy providers in **98.45%** of the analyzed claims in Q1 2019. This demonstrates that the new rules requiring a pass-through pricing model was implemented successfully by the MCPs.

The overall increase in payments to the pharmacy providers was **up by 5.74%**. This reflects both an increase overall in ingredient costs and dispensing fees paid to these providers. The total increase was **\$38,308,479** for the first quarter.

HDS was unable to identify any preferential or anti-competitive pricing that may have been implemented by the two PBMs that service the five MCPs contracted with ODM. HDS analysis of Q1 2019 showed that the pass-through pricing by one of the PBMs resulted in a higher percent increase for pharmacy chains, but independent or non-traditional pharmacy providers were still paid generic pricing discounts that were equivalent or better than most pharmacy chains. The HDS analysis showed that the pricing discounts off AWP to the various pharmacy ownership groups were consistent.

The HDS system identified some excessive charges paid by one or more MCP compared to our HDS BenchMarket™ price. The BenchMarket™ is a dynamic market average price for medications with the same Medispan generic product indicator (GPI). HDS identified a number of drugs with pricing concerns, which are identified by MCP in Tables 8-9 of the full report. Most of the examples were common to all 5 MCPs, but there are some which are unique to certain MCPs.

All the MCPs utilized specialty pharmacies owned by the PBM servicing the MCP or by one owned by the MCP's parent company. These pharmacies had the largest share of the specialty prescriptions filled for the each MCP. The miscategorization of prescriptions as specialty shown in Table 11, occurred predominately at one specialty pharmacy associated with only one of the MCPs.

Conclusions

The goal of having a pass-through pricing model for PBM contracting with MCPs was achieved. As expected, the new pricing model did result in higher reimbursement for the pharmacy providers.

The new pass-through payment model does lay the foundation for transparency in pricing for prescription claims, but management of the pricing by the PBMs for multisource generic medications was inconsistent and in many cases the payments to pharmacy providers were not market competitive. There were a significant number of claims both below and above a market competitive price. The goal should be to achieve a reliable model for determining a fair market price without channel conflicts.

The decisions of drug categorizations, formularies and Maximum Allowable Costs (MAC pricing) would be better managed by a third-party vendor without any ownership associated with the PBM or MCPs. This would insure that the pricing and plan designs are market competitive with timely updates in response to market dynamics. This approach would also eliminate questions of misaligned incentives for the PBMs and pharmacies.

We look forward to our next steps.

Thank you,



Gary Rutherford, RPh
Co-founder and Chief Clinical Officer
HealthPlan Data Solutions

Definitions

Buckeye Community Health Plan: managed care plan contracted with the Ohio Department of Medicaid

Caresource: managed care plan contracted with the Ohio Department of Medicaid

Encounter Data: records of the health care services provided to Medicaid enrollees and the amount paid to providers for these services

Engolve Pharmacy Solutions: listed as a combined PBM and specialty drug management contract by the Buckeye Community Healthplan

HDS BenchMarket™: survey-based reference pricing derived from a proprietary algorithm comprised of available public pricing data, HDS client data, and HDS partner pricing data

ICN: number assigned to a claim processed in the ODM system. This is used for control purposes.

MCP: managed care plan

Molina Healthcare of Ohio: managed care plan contracted with the Ohio Department of Medicaid

Paramount Advantage Ohio: managed care plan contracted with the Ohio Department of Medicaid

Pass-through pricing: PBM passes through the same pricing discounts and dispensing fees paid to the pharmacy provider to the plan sponsor for prescription claims. PBMs typically generates revenue through a per prescription claim administration fee.

PBM: pharmacy benefits manager

PBM Supplemental File: file provided to the five managed care plans contracted with ODM to report the amount paid to PBMs for prescription claims

TCN: Transaction control number from the PBM (Pharmacy Benefits Manager) Claim File.

TPL: third-party liability; amount paid by a primary insurance provider before the balance of the claim is billed to the PBM of a managed care plan

Traditional (Spread) Pricing: PBM charges a plan sponsor a contracted price with specified discounts and dispensing fees for prescription claims, while paying the pharmacy provider a different price with higher discounts and lower dispensing fees. The difference between the amount billed to the plan sponsor and paid to the pharmacy provider is known as spread and is retained by the PBM as revenue in lieu of charging the plan sponsor claim administration fee.

United Healthcare Community Plan: managed care plan contracted with the Ohio Department of Medicaid

Assessment of the Implementation of Pass-Through Pricing

Methodology and Analysis

After receiving the Encounter Data and PBM Supplemental Data files for prescription claims filled for the five MCPs contracted with ODM in Q4 2018 and Q1 2019, HDS utilized the following methodology to assess the implementation of pass-through pricing in Q1 2019 detailed in this report:

- HDS matched the data in the two file types using the ICN and TCN numbers
- HDS calculated the dispensing fee in the Encounter Data by subtracting the Ingredient Cost Amount from the MCP Paid Amount
- HDS excluded the following prescription claims types from the analysis:
 - Encounter Data rows that contain supplemental compound ingredient information
 - Prescriptions claims where the ICN and TCN in the Encounter Data could not be matched to an ICN and TCN in the PBM Supplemental File or no PBM payment information was available
- HDS analytics engine determined if the amount billed to MCP matched the amount paid to the pharmacy provider if the values in MCP Paid Amount, Ingredient Cost Paid, and *calculated* Dispensing Fee reported in the Encounter Data matched the MCP Paid Field, MCP Ingredient Cost, and MCP Dispensing Fee reported in the PBM Supplemental File
 - Matched criteria indicating pass-through pricing in place for prescription claim
 - Encounter Data MCP Paid Amount = PBM Supplemental File MCP Paid; and
 - Encounter Data Ingredient Cost Paid = PBM Supplemental File MCP Ingredient Cost Paid; and
 - Encounter Data *calculated* Dispensing Fee = PBM Supplemental File MCP Dispensing Fee Paid
 - Non-matched criteria indicating pass-through pricing not in place for prescription claim
 - Encounter Data MCP Paid Amount \neq PBM Supplemental File MCP Paid; or
 - Encounter Data Ingredient Cost Paid \neq PBM Supplemental File MCP Ingredient Cost Paid; or
 - Encounter Data *calculated* Dispensing Fee \neq PBM Supplemental File MCP Dispensing Fee Paid

Data Validation

HDS validated that the sum of both matched and excluded Encounter Data claims from our analysis equaled the total number of Encounter Claims received from ODM for prescriptions claims filled from 10.01.18 – 03.31.19.

Table 1: Encounter Data Claims Counts 2018

Total Number of Encounter Claims	Number of Encounter Data Claims Analyzed	Number of Encounter Claims Not Matching Pricing Detail in PBM Supplemental File	Number of Encounter Claims with Supplemental Compound Information	Percent of Claims Analyzed
10,942,665	8,882,107	1,869,075	191,483	81.17%*

*The missing claims did not disproportionately represent any category or source of pharmacy claims

Table 2: Encounter Data Claims Counts 2019

Total Number of Encounter Claims	Number of Encounter Data Claims Analyzed	Number of Encounter Claims No Matching Pricing Detail in PBM Supplemental File	Number of Encounter Claims - Compound Detail Lines	Percent of Claims Analyzed
11,308,923	8,849,476	2,292,255	167,192	78.25%*

*The missing claims did not disproportionately represent any category or source of pharmacy claims

Findings

Based on our analysis of **8,849,476** prescriptions claims, the five MCPs contracted with ODM have successfully implemented pass-through pricing for prescription drugs filled in the first quarter of 2019. HDS was able to confirm that the reported price paid by the five MCPs matched the reported price paid to the pharmacy providers in **98.45%** of the analyzed claims, or **8,712,750** prescription claims filled by pharmacy providers in Q1 2019. This is in sharp contrast to the findings in Q4 2018, when a traditional pricing model was used. In the fourth quarter of 2018 HDS found that **1.18%** of the analyzed claims paid by the MCPs were equal to the amount paid to the pharmacy providers, demonstrating that PBM spread pricing was still in place.

Table 3: Percentage of Claims that Match Encounter Date and PBM Supplemental File Pricing Fields

Q4 2018 Percent of Claims with <u>Matching</u> Values in the Pricing Fields*	Q1 2019 Percent of Claims with <u>Matching</u> Values in the Pricing Fields*
1.18%	98.45%

*Matching defined as the MCP Paid Amount, Ingredient Cost Paid, and calculated dispensing fee in the Encounter Data matched the same values reported in the PBM Supplemental File

Table 4: Claim Counts of Non-Match and Matched Claim Pricing Fields for Encounter Data and PBM Supplemental File

Q4 2018 <u>Non-Matched</u> Claim Values in the Pricing Fields	Q4 2018 <u>Matched</u> Claim Values in the Pricing Fields*	Q1 2019 <u>Non-Matched</u> Claim Values in the Pricing Fields	Q1 2019 <u>Matched</u> Claim Values in the Pricing Fields*
8,777,505	104,602	136,726	8,712,750

*Matching defined as the MCP Paid Amount, Ingredient Cost Paid, and calculated dispensing fee in the Encounter Data matched the same values reported in the PBM Supplemental File

Analysis of Impact of the Implementation of Pass-Through Pricing in Q1 2019

Methodology and Analysis

Based on the experience and expertise of the HDS' pharmacy and analytics team, HDS determined that the best way to measure the impact on payments made to pharmacy providers due to the transition from a traditional PBM pricing contract in Q4 2018 to a pass-through PBM pricing contract in Q1 2019 was to compare the aggregate pricing discounts and dispense fee rates of prescription claim types likely to be guaranteed in the PBM contracts between the MCPs and PBMs. HDS utilized the following methodology to analyze the aggregate AWP discount performance for payments made to pharmacy providers by MCP in Q1 2019:

- HDS matched the data in the two file types using the ICN and TCN numbers
- HDS calculated the dispensing fee in the Encounter Data by subtracting the Ingredient Cost Amount from the MCP Paid Amount
- HDS excluded the following prescription claims types from the analysis:
 - Encounter Data rows that contain supplemental compound ingredient information
 - Prescriptions claims where the ICN and TCN in the Encounter Data could not be matched to an ICN and TCN in the PBM Supplemental File or no PBM payment information was available
 - Prescription claim types typically excluded from PBM contract pricing discount and dispensing fee guarantees including:
 - Claims filled with compounds
 - Claims filled with Over-the-Counter drugs
 - Claims with a Third-Party Liability amount \neq \$0.00
- The HDS analytics engine utilized Medispan as the source to determine the brand/generic status of a prescription claim and AWP
- The HDS analytics engine utilized proprietary data tables to assign specialty drug status, retail/mail order assignment, and pharmacy class code
- The HDS analytics engine calculated the pricing discount off AWP and dispensing fee rate for the following categories:
 - Brand claims filled at a mail order pharmacy
 - Brand claims filled for “30-day supply” at a retail pharmacy
 - Brand claims filled for “90-day supply” at a retail pharmacy
 - Generic claims filled at a mail order pharmacy
 - Generic claims filled for “30-day supply” at a retail pharmacy
 - Generic claims filled for “90-day supply” at a retail pharmacy
 - Specialty brand claims filled at a mail order pharmacy
 - Specialty brand claims filled at a retail pharmacy
 - Specialty generic claims filled at a mail order pharmacy
 - Specialty generic claims filled at a retail pharmacy
- The HDS analytics engine calculated pricing discounts for each prescription category utilizing the following formula = $[1 - (\text{ingredient cost of eligible prescriptions claims} / \text{AWP price})] \times 100\%$

- The HDS analytics engine calculated dispensing fee rate for each prescription category utilizing the following formula = dispensing fee of eligible prescription claims /number of eligible prescription claims
- The HDS analytics engine calculated the estimated net change in reimbursement to the pharmacy providers due to the implementation of the pass-through pricing terms in the Q1 2019 PBM contracts, by applying the calculated Q4 2018 rates to Q1 2019 claims and calculating the difference from what was actually paid in Q1 2019 to what would have been paid if the Q4 2018 rates had continued into Q1 2019

Findings

HDS expected to see an increase in the payments to pharmacy providers as a result of the implementation of the pass-through PBM pricing contracts. Based on our analysis on the impact of payments made to pharmacy providers due to the transition from a traditional PBM pricing contract in Q4 2018 to a pass-through PBM pricing contract in Q1 2019 required by ODM, HDS calculated a **\$38,308,479 (5.74%)** increase in payments to pharmacy providers with the PBM contracts in Q1 2019. HDS calculated that **92.15% of this increase** is due to an improvement in the reimbursement for traditional generic drugs. The total improvement in payments to the pharmacy providers is broken down by dispensing channel in the following percentages:

- Retail: **95.94%**
- Mail Order: **-0.03%**
- Specialty: **4.09%**

Table 5: Estimated Net Change in Q1 2019 Payments to Pharmacy Providers

Estimated Net Change in Contracted Ingredient Cost Payments	Estimated Net Change in Contracted Dispensing Fee Payments	Estimated Net Change in Contracted Claim Payments	Estimated Percent Net Change in Contracted Claim Payments
\$37,360,546	\$947,934	\$38,308,479	5.74%

Analysis of Pharmacy Provider Payments in Q1 2019

Methodology and Analysis

HDS analyzed the **generic drug pricing aggregate discounts** paid to pharmacy providers grouped by “store-type” or common ownership to identify any preferential or anti-competitive pricing that may have been implemented by the two PBMs contracted to provide pharmacy benefit management services to the five MCPs contracted with ODM. HDS focused on generic drug pricing discounts because HDS calculated that 92.15% of the increase in reimbursement to pharmacy providers is due to an improvement in the reimbursement for traditional generic drugs and because of the findings of the “Ohio’s Medicaid Managed Care Pharmacy Services Auditor of State Report” completed on August 16th, 2018. The Ohio Auditor of State reported that the MCPs were charged a “spread” of 31.4% on generic drug claims from 04.01.17 to 03.31.18¹. HDS utilized the following methodology to compare the guaranteed generic pricing discount payments made to pharmacy groups by PBM in Q1 2019:

- HDS matched the data in the two file types using the ICN and TCN numbers
- HDS calculated the dispensing fee in the Encounter Data by subtracting the Ingredient Cost Amount from the MCP Paid Amount
- HDS excluded the following prescription claims types from the analysis:
 - Encounter Data rows that contain supplemental compound ingredient information
 - Prescriptions claims where the ICN and TCN in the Encounter Data could not be matched to an ICN and TCN in the PBM Supplemental File or no PBM payment information was available
 - Prescription claim types typically excluded from PBM contract pricing discount and dispensing fee guarantees including:
 - Claims filled with compounds
 - Claims filled with Over-the-Counter drugs
 - Claims with a Third-Party Liability amount \neq \$0.00
- The HDS analytics engine utilized Medispan as the source to determine the brand/generic status of a prescription claim and AWP
- The HDS analytics engine utilized proprietary data tables to assign specialty drug status, retail/mail order assignment, pharmacy class code, and pharmacy group alignment
- Pharmacy was classified as retail independent based on publicly available data in combination with the number of pharmacies under common ownership
- Pharmacies classified as non-traditional are long-term care, home infusion, clinic, and hospital pharmacies
- Per the request of ODM, HDS redacted the names of the two PBMs analyzed
- The HDS analytics engine calculated pricing discounts by claim category utilizing the following formula = $[1 - (\text{ingredient cost of eligible prescriptions claims} / \text{AWP price})] \times 100\%$
- The HDS analytics engine calculated the estimated net change in ingredient costs paid to the pharmacy providers due to the implementation of the pass-through pricing in the Q1 2019 PBM contracts, by applying the calculated Q4 2018 rates to Q1 2019 claims and calculating the difference from what was actually paid in Q1 2019 to what would have been paid if the Q4 2018 rates had continued into Q1 2019

Findings

Results of the analysis of generic drug pricing discounts paid to pharmacy providers was grouped by “like” or common ownership in the aggregate. HDS was unable to identify any preferential or anti-competitive pricing that may have been implemented by the two PBMs that service the five MCPs contracted with ODM. Tables 6-7 lists the AWP discounts for generic medications by Pharmacy Group. HDS analysis of Q1 2019 showed that the pass-through pricing by PBM1 resulted in a higher percent increase for pharmacy chains, but independent or non-traditional pharmacy providers were still paid generic pricing discounts that were equivalent or better than most pharmacy chains. The implementation of pass-through pricing by PBM2, resulted in a consistent percentage increase in ingredient costs paid in Q1 2019 for most pharmacy chains, independent and non-traditional pharmacy groups. HDS believes that most of the variation in the percent increase in ingredient costs for PBM2 could be explained by variations in the mix of drugs filled by each pharmacy group.

Table 6: PBM1 - Estimated Change by Pharmacy Group in AWP Discounts for Generic Rx for in Q1 2019

Pharmacy Group	Ingredient Cost Q4 2018	Pricing Discount Q4 2018	Ingredient Cost Q1 2019	Pricing Discount	Estimated Q1 2019 Ingredient Cost at Q4 2018 Discounts	Estimated Change in Q1 2019 Ingredient Costs	Estimated Percentage Change in Q1 2019 Ingredient Costs
Chain	\$7,006,338.52	85.97%	\$14,470,586.74	80.59%	\$10,463,070.29	\$4,007,516.45	38.30%
Combination	\$216,021.98	89.45%	\$736,417.56	77.81%	\$350,262.47	\$386,155.09	110.25%
Independent	\$1,962,619.27	84.27%	\$4,008,291.28	79.23%	\$3,034,662.20	\$973,629.08	32.08%
Non-traditional	\$1,427,419.18	81.93%	\$2,586,125.75	78.26%	\$2,149,813.38	\$436,312.37	20.30%

* A lower percentage in AWP discount results in a higher payment to the pharmacy providers.

Table 7: PBM2 - Estimated Change by Pharmacy Group in AWP Discounts for Generic Rx in Q1 2019

Pharmacy Group	Ingredient Cost Q4 2018	Pricing Discount Q4 2018	Ingredient Cost Q1 2019	Pricing Discount	Estimated Q1 2019 Ingredient Cost at Q4 2018 Discounts	Estimated Change in Q1 2019 Ingredient Costs	Estimated Percentage Change in Q1 2019 Ingredient Costs
Chain	\$58,235,882.30	90.36%	\$84,941,603.27	86.27%	\$59,677,376.69	\$25,264,226.58	42.33%
Combination	\$1,397,567.82	92.24%	\$1,869,719.64	90.23%	\$1,483,490.19	\$386,229.45	26.04%
Independent	\$18,349,873.04	87.85%	\$19,386,586.06	86.52%	\$17,475,350.43	\$1,911,235.63	10.94%
Non-traditional	\$8,992,137.35	87.78%	\$9,863,939.38	86.45%	\$8,898,526.93	\$965,412.45	10.85%

Comparison of Prescription Ingredient Costs and Prices

Methodology and Analysis

HDS compared the average unit ingredient costs and prices paid for prescription drugs by generic product indicator (GPI) and national drug code (NDC) across MCPs in Q1 2019 to identify any significant differences in pricing amongst the MCPs. HDS also compared MCP pricing to the HDS BenchMarket™ price to identify any potential overpayments made by the PBMs to the pharmacy providers. HDS utilized the following methodology to compare average unit ingredient costs and prices paid for prescription drugs by MCP in Q1 2019:

- HDS matched the data in the two file types using the ICN and TCN numbers
- HDS calculated the dispensing fee in the Encounter Data by subtracting the Ingredient Cost Amount from the MCP Paid Amount
- HDS excluded the following prescription claims types from the analysis:
 - Encounter Data rows that contain supplemental compound ingredient information
 - Prescriptions claims where the ICN and TCN in the Encounter Data could not be matched to an ICN and TCN in the PBM Supplemental File or no PBM payment information was available
- The HDS analytics engine utilized the Medispan generic product indicator (GPI) for drug classification
- The HDS analytics engine utilized Medispan as the source to determine the brand/generic status of a prescription claim and AWP
- The HDS analytics engine calculated the average HDS BenchMarket™ unit price by MCP
 - The calculated average HDS BenchMarket™ unit price is dependent on prescription fill date, dispense quantity, and prescription utilization by MCP
 - The calculated average HDS BenchMarket™ unit price could be unique for MCP and result in the same drug being reported multiple times in the pricing comparison tables provided by HDS
- The HDS analytics engine compared average unit ingredient costs and prices paid amongst the MCPs and to the average HDS BenchMarket™ unit price by GPI and NDC and identified outliers using a proprietary algorithm developed by HDS

Findings

The HDS system identified what HDS considers to be either over or under payments paid by one or more MCP compared to our HDS BenchMarket™ price. The BenchMarket™ is a dynamic market average price for medications with the same Medispan generic product indicator (GPI). It is most applicable when paired with a pass-through pricing contract, since the drug prices paid by the MCP are the same as the amounts paid to the pharmacy providers. It is important to note that if average unit prices are higher for one or all MCPs or when compared to the HDS BenchMarket™ price, it could be due to slow PBM response time to market price changes or conflicts within a PBM's business practices. HDS regularly discovers PBM adjustments to market price reductions delayed for months. Prices to the payer should reflect these reductions within 14-28 days of price deflation. Any overcharges and undercharges are reflected in the addendum reports detailing our HDS BenchMarket™ analysis.

While every plan is looking to pay the lowest price possible, paying significantly below the market average may cause unintended consequences. There may be times when a pharmacy will refuse to stock a drug because the reimbursement is below the pharmacy's acquisition cost. This can happen when the price of a drug rises, but the reimbursement is not adjusted by the PBM, or when a PBM is overly aggressive in lowering prices without consideration of the average acquisition cost for the pharmacy providers. **This can also lead to the closure of pharmacy providers and limit patient access to care.**

HDS analyzed the prices charged across the five MCPs against the HDS BenchMarket™. Based on our comparison analysis of ingredient costs and prices paid across MCPs and against the HDS BenchMarket™, HDS identified a number of drugs with pricing concerns, which are identified by MCP in Tables 8 and 9. The results of our analysis are detailed in the addendum reports, supplied separately from the report. The HDS analysis shows that the five MCPs, pharmacy providers and ODM could benefit from a more effective and balanced generic price management process.

Table 8: Summary of Overpriced Drugs by MCP Designated for Follow Up

Drug Name	MCP A*	MCP B*	MCP C*	MCP D*	MCP E*
Methylphenidate 18 mg ER tablet	x	x	x	x	x
Methylphenidate 36 mg ER tablet	x	x	x	x	x
Omeprazole 20 mg tablet	x	x	x	x	x
Tobramycin 300 mg/5 mL Nebulizer Solution	x	x	x	x	x
Esomeprazole 40 mg DR capsule	x	x	x	x	x
Fluphenazine 5 mg tablet	x	x	x	x	x
Fluphenazine 10 mg tablet	x	x	x	x	x
Budesonide 3 mg DR capsule	x	x	x	x	x
Tenofovir 300 mg tablet	x	x	x	x	x
Imatinib Mesylate 100 mg tablet	x	x	x	x	x
Imatinib Mesylate 400 mg tablet	x	x	x	x	x
Omeprazole/bicarb. 40-1100 capsule	x	x	x		
Doxycycline Hyclate 100 mg capsule	x				
Sildenafil 20 mg tablet	x	x	x		x
Anucort-HC 25 mg Suppository	x	x	x		x
Aripiprazole 10 mg tablet		x		x	
Aripiprazole 15 mg tablet				x	
Aripiprazole 2 mg tablet				x	
Aripiprazole 30 mg tablet				x	
Aripiprazole 5 mg tablet		x		x	
Quetiapine 50 mg tablet				x	
Quetiapine 100 mg tablet				x	
Quetiapine 400 mg tablet				x	
Bupropion 150 mg XL tablet				x	
Olanzapine 20 mg tablet				x	
Guanfacine 4 mg ER tablet	x			x	x
Guanfacine 2 mg ER tablet				x	
Ezetimibe 10 mg tablet	x	x			x
Tolterodine ER 4 mg capsule	x		x		
Exemestane 25 mg tablet		x			

*The MCPs were deidentified & randomly assigned a description to protect proprietary information

Table 9: Summary of Underpriced Drugs by MCP Designated for Follow Up

Drug Name	MCP A*	MCP B*	MCP C*	MCP D*	MCP E*
Bupren/Nalox. Sub 8-2mg	x	x	x		x
Bupropion HCl Tab 300mg XI	x	x	x		x
Cefdinir Sus 250/5ml			x	x	
Clobazam Sus 2.5mg/ML	x	x			
Clobazam Tab 10mg			x		
Daptomycin INJ 500mg	x	x	x	x	
Doxycycline Hyc. Tab 100mg	x	x	x	x	x
Duloxetine Cap 30mg			x		x
Duloxetine Cap 60mg	x	x	x		x
Fluticasone Spray 50mcg	x	x	x		x
Hydrocodone/APAP Tab 5-325mg	x	x	x		x
Hydrocodone/APAP Tab 7.5-325	x	x	x	x	x
Ibuprofen Sus 100/5ml	x	x	x	x	x
Linezolid Tab 600mg	x	x	x	x	x
Losartan Pot Tab 100mg	x	x	x	x	x
Meloxicam Tab 15mg	x	x	x	x	x
Metformin Tab 1000mg	x	x	x		x
Methylphenidate Tab 27mg ER		x	x		
Methylphenidate Tab 54mg ER	x	x	x	x	x
Montelukast Tab 10mg	x		x	x	x
Nitrofurantoin Cap 100mg	x	x	x	x	x
Ofloxacin Drops 0.3% Otic			x	x	
Omeprazole Cap 20mg	x	x	x	x	x
Ondansetron Tab 4mg ODT	x	x	x	x	x
Oseltamivir Cap 75mg			x		
Oseltamivir Sus 6mg/ML			x		x
Oxycodone/APAP Tab 5-325mg	x	x	x		x
Paliperidone Tab ER 3mg	x	x			x
Pantoprazole Tab 40mg	x	x	x		x
Sevelamer Tab 800mg	x			x	
Tacrolimus Cap 1mg		x	x	x	

*The MCPs were deidentified & randomly assigned a description to protect proprietary information

Specialty Drug Prescription Categorization and Pricing Analysis

Methodology and Analysis

HDS analysis of the Encounter Data looked for traditional drugs that may have been inappropriately categorized as a specialty drug and any subsequent overpricing of these prescription claims. HDS utilized the following methodology to identify any potential specialty drug categorization and pricing issues in Q1 2019:

- HDS matched the data in the two file types using the ICN and TCN numbers
- HDS calculated the dispensing fee in the Encounter Data by subtracting the Ingredient Cost Amount from the MCP Paid Amount
- HDS excluded the following prescription claims types from the analysis:
 - Encounter Data rows that contain supplemental compound ingredient information
 - Prescriptions claims where the ICN and TCN in the Encounter Data could not be matched to an ICN and TCN in the PBM Supplemental File or no PBM payment information was available
- The HDS analytics engine utilized the Medispan generic product indicator (GPI) for drug classification
- The HDS analytics engine utilized Medispan as the source to determine the brand/generic status of a prescription claim and AWP
- The HDS analytics engine utilized a propriety list developed by HDS to assign the specialty drug status of a prescription drug claim
- The HDS analytics engine utilized proprietary data tables to assign specialty drug status, retail/mail order assignment, pharmacy class code, and pharmacy group alignment
- The HDS analytics engine calculated the average HDS BenchMarket™ unit price by MCP
- The HDS analytics calculated the percentage of specialty drug prescription claims filled at a pharmacy by counting the number of specialty drug claims filled at a specific pharmacy or pharmacy group in Q1 2019 divided the total number of specialty drug claims filled in Q1 2019
 - HDS then reported the pharmacy or pharmacy group with the highest percentage of specialty drug claims filled
- Since a specialty drug indicator was not provided in the Encounter Data, the HDS analytics engine created a specialty list by analyzing all the prescriptions filled at the primary specialty pharmacies which had the highest percentage of specialty drug claims. This list was used along with our clinical teams' knowledge of the specialty category to identify drugs inappropriately classified by the PBM as a specialty medication.
- The HDS analytics engine analyzed potentially inappropriate specialty drug claims for pricing issues by conducting an HDS BenchMarket™ analysis
 - Specialty drugs with pricing issues that were identified in “Comparison of Prescription Ingredient Costs and Prices” were not reported a second time in this section

Findings

Based on our analysis of specialty drug claims, HDS identified that a pharmacy owned by PBMs or by companies **sharing common ownership** with an MCP filled the highest percentage of specialty drug claims. HDS identified that MCP B potentially categorized 6 injectable medications used to treat mental health disorders as specialty drugs that were filled at a specialty pharmacy.

Table 10: Top Specialty Pharmacy by Rx Count and Percent of Specialty Drug Claims Filled

MCP	Top Specialty Pharmacy by Rx Count	Percent of Specialty Drug Claims Filled
Buckeye Community Health Plan	Acaria Health Pharmacy	36.84%
Caresource	CVS Health	45.66%
Molina Healthcare of Ohio	CVS Health	35.00%
Paramount Advantage Ohio	CVS Health	43.66%
United Healthcare Community Plan	BriovaRx	39.79%

Table 11: List of Drugs Potentially Miscategorized with Pricing Issues by MCP

Drug Name	MCP A*	MCP B*	MCP C*	MCP D*	MCP E*
Abilify Maintena		x			
Aristada		x			
Enoxaparin Injection		x			
Epinephrine Auto-Injector	x		x		
Exemestane Tablet		x			
Fondaparinux Injection		x			
Invega Sustenna		x			
Invega Trinza		x			
Mycophenolate Capsule		x			
Mycophenolate Tablet		x			
Mycophenolic Acid DR Tablet		x			
Risperdal Injection		x			
Sildenafil Tablet	x	x	x		x
Vivitrol Injection		x			

*The MCPs were deidentified & randomly assigned a description to protect proprietary information

Recommendations for Correcting Specialty Drug Issues

Based on our analysis of the specialty drug claims paid for by the MCP and our consulting experience, HDS would recommend the following suggestions to correct specialty drug miscategorization and pricing issues:

- Change contract language allowing MCPs control over the specialty drug list
- Require a PBM that owns a specialty pharmacy to allow any willing provider to fill specialty prescriptions available to them with no associated penalties
- Contract language allowing MCP input on the pricing of generic specialty drugs
- Contract language requiring the PBM to include generic specialty drugs on the MAC list
- Aggregate pricing discount guarantee on brand specialty drugs

Note: All audit and financial information outlined in this report has been reviewed and certified by HDS' Pharmacy Consulting team

References

1. Yost D. Auditor's report: pharmacy benefit managers take fees of 31% on generic drugs worth \$208M in one-year period. Ohio Auditor of State website. <https://ohioauditor.gov/news/pressreleases/Details/5042>. Published 2018. Accessed June 25th, 2019.