



May 2, 2019

TO: Chair Monnes Anderson and Senator Beyer, Senate Committee on Health Care
FROM: Ali Hassoun, Director – PEBB and OEGB
SUBJECT: April 22 Questions related to PEBB and OEGB Fiscals regarding House Bill 2185 and House Bill 2840

Dear Chair Monnes Anderson and Senator Beyer,

In response to your questions in the April 22, 2018 hearing on House Bill HB 2185 and several provisions from House Bill 2840, PEBB and OEGB staff have prepared the following responses.

1) Why is PEBB/OEGB estimating fiscal impacts for legislation related to Pharmacy Benefit Managers?

PEBB and OEGB contract with health insurers, health service contractors and/or third-party administrators to offer health plans that include prescription drug benefits to members. Prescription drugs are purchased and distributed through several methods, including contracting with Pharmacy Benefit Managers (PBM) and third-party administrators. Costs incurred for these services are included in the overall PEBB/OEGB health plan premium costs that are reflected as budgetary expenditures for PEBB and OEGB. As such, PEBB and OEGB analyze how increased costs for PBMs/third party administrators potentially result in increased premium costs for PEBB/OEGB health plan premiums.

OEGB's largest insurer, Moda Health contracts with the Oregon Prescription Drug Program (OPDP) for the purchase and management of its pharmacy benefits program for the PEBB and OEGB health plans it administers. OPDP uses MedImpact as its PBM and Moda Health is the Master Administrator for the contract. OPDP is a 100% pass-through program where the cost of the claim that is billed for a member is passed through at 100% from the pharmacy to the payer (Moda Health). The program includes a fixed per claim administration fee that is paid to OPDP's PBM to manage the pharmacy benefit (including formulary management, clinical resource, claim processing, reporting and analytics, etc.). Increases in the fixed administration fee due to legislative requirements on PBMs are passed through to OPDP participants such as OEGB in the form of higher per claim administration costs.

Providence Health which administers the PEBB Statewide Plan and Providence Choice performs functions for these programs that are similar to those provided by a PBM such as purchasing and distributing prescription drugs through a network of pharmacies and pharmacists. Although licensed as a Health Care Service Contractor, it is assumed that requirements for PBMs like those in HB 2185 would apply to Providence since they are the third-party administrator for the PEBB Statewide and Providence Choice medical/prescription drug plans. Legislative requirements that increase administrative costs for these

services are reflected in the administrative and claims costs charged to PEBB, which translate to increased premium costs for the PEBB Statewide and Providence Choice plans.

2) What is the fiscal impact on PEBB/OEBB of prohibiting a PBM from charging adjudication fees to pharmacies/pharmacists for submitting reimbursement claims?

OEBB Fiscal Methodology

According to OEBB's actuarial consultant (Willis Towers Watson), prohibiting PBMs from charging pharmacies adjudication fees will increase the premium rates for OEBB health plans administered by Moda by 0.04%. It should be noted that original Moda estimate of 0.27% for HB 2840 were forecasted as worse case and did not take into account the current contractual obligations that Moda has established with MedImpact under the current contract with OPDP and Northwest Prescription Drug Consortium that would already apply the prohibition of adjudication fees and thus would mitigate any impact to Moda's OEBB premiums through December 31st, 2021. It is important to also state for the record that OPDP and Consortium steering committee are committed to ensuring any new statutory PBM provisions are clearly reflected in the upcoming procurement and position Oregon and other members of the Consortium to promote transparency and sustainable costs.

Moda Health currently purchases prescription drugs for the OEBB OPDP and as noted earlier, Moda also serves as Master Administrator for the OPDP contract and subcontracts with MedImpact to serve as the program's PBM. Pharmacies/pharmacists that submit reimbursement claims to MedImpact for OPDP are charged a per claim adjudication fee. The loss of these fees will most likely require that Moda recoup PBM administrative costs by renegotiating the fixed administrative fee in the OPDP contract that is up for renewal on January 1, 2022. Increased administrative fees could then be passed on to OPDP participants (such as OEBB) through higher administration claim costs that subsequently increase premium rates for OEBB medical/rx plans administered by Moda. It is not clear what the new January 1, 2022 contract may provide as there presently is an RFP being prepared for release, for the Northwest Prescription Drug Consortium's contracted PBM, which would serve OPDP.

Assuming the OPDP administrative fees increase 0.04% starting on January 1, 2022 a subsequent 0.04% increase of premium rates for OEBB medical/rx plans administered by Moda will result in a fiscal impact of \$331,992 (2021-2023 biennium). The fiscal impact doesn't include Kaiser, which is a closed system that distributes prescription drugs through their own pharmacies.

PEBB Fiscal Methodology

According to PEBB's actuarial consultant (Mercer) prohibiting PBMs from charging pharmacies adjudication fees for submitting reimbursement claims will have no impact on the premium rates for the PEBB Statewide and Providence Choice Plans because the administrator Providence Health does not charge adjudication fees.

3) What is the fiscal impact on PEBB/OEBB of prohibiting PBM from charging adjudication fees to pharmacies/pharmacists for submitting reimbursement claims?

Both Mercer and Willis Towers Watson indicated that prohibiting PBM from recouping costs from pharmacists/pharmacies for reimbursement claims that have already been paid should not impact OEBB through higher premium rates on OEBB health plans administered by Moda or PEBB through higher premium rates for PEBB Statewide or Providence Choice plans. This assumes that the prohibition does not apply to audits for fraud, waste or abuse. If this is not the case, then it's recommended that potential cost increases be assessed.