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Guest Column: The prescription drug cost issue has not gone away

BY ANTONIO CIACCIA

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Submitted photo

Editor's Note

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During the recent election season, we didn't hear ~~much~~^{Chat} about the need to address high prescription drug costs. In fact, we saw a number of elected officials spiking the proverbial policy football as if the problem had been fixed. When Congress passed the Inflation Reduction Act, there was much celebration that the battle for lower drug costs was finally going to be won.

If only it were so simple.

In fact, while the IRA went a long way to reducing out-of-pocket prescription expenditures for Medicare enrollees, the law also passes on the opportunity to address one of the primary drivers of inflated prescription drug costs — the exemption to the federal anti-kickback statute for drugmaker rebates to insurers. Congress has taken one of the biggest prescription drug market distortions and cemented it in law in perpetuity. One thing I've learned in my years studying prescription drug prices and affordability, the bigger the complexity and the more distortions that exist, the greater the likelihood that we all pay more for less — and that includes Oregonians.

A new study released by the Oregon State Pharmacy Association, in collaboration with my research firm 3 Axis Advisors, found that the drug pricing practices of intermediaries in the prescription drug supply chain — pharmacy benefit managers, or PBMs — are growing health care inequity, threatening access to medicines and incentivizing higher prices at the pharmacy counter.

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This isn't a new dilemma — drug pricing is notoriously complex and opaque, allowing all drug supply chain participants the ability to feast on opportunities that can add unnecessary costs into the system. PBM practices affect us all, whether as taxpayers or consumers. These little-known insurance intermediaries have enormous influence over which prescription drugs are prescribed to patients, where patients can obtain those medications and how much they will pay for those medicines at the pharmacy counter.

Our study with the OSPA found that PBMs are reimbursing pharmacies in the state at wildly different rates, and that the majority of drug reimbursements at a typical retail Oregon pharmacy are insufficient to cover their labor and drug acquisition costs. We're seeing companies like Bi-Mart exiting the pharmacy business due to high costs and reimbursement pressures, increasing health care inequality in rural and underprivileged areas where they were the only accessible pharmacy.

But PBMs don't underpay on all medications. In fact, we found a small number of instances where pharmacies were significantly overpaid for certain prescription drugs. The common denominator with many of those medicines? Many of them are traditionally disproportionately dispensed by pharmacies owned by PBM parent companies.

And while complexity creates inequities between the winners and losers in the pharmacy marketplace and, by extension, the communities they serve, it's important to remember what happens on the other end of the transaction where employers, taxpayers and patients are footing the bill. Our report [showed that](#)

PBMs have been charging Oregon's Medicaid program an average of more than \$2,900 for a generic multiple sclerosis drug with a manufacturer's list price of \$350. That was just one of dozens of examples where prices being charged to Medicare, Medicaid and Oregon's commercial employers far eclipsed reasonable estimates of the costs of the medicines and the professional fees to cover the dispensing services being provided.

Whether it be PBMs or any other layer of the drug supply chain, we know that conflicts of interest, hidden fees and warped incentives almost always become the enemy of the consumer. And our report demonstrated how a misaligned marketplace can threaten access to care and push prices higher for all.

Without corrective action, this problem is going to get much worse.

Antonio Ciaccia, who is the president of consulting firm 3 Axis Advisors, was hired by the Oregon State Pharmacy Association to look into pharmacy benefit managers in Oregon.