

The Columbus Dispatch

Middlemen poised to grab back money they've already paid to Ohio pharmacists

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Posted Jul 14, 2019 at 12:01 AM

Updated Jul 14, 2019 at 7:13 AM

Struggling Ohio pharmacists have been encouraged in recent months, with one of two companies that determine their Medicaid reimbursements paying a little better for prescription drugs since the issue blew up last year.

But numerous pharmacists — and the drug-buying groups that represent them — fear that middlemen OptumRx and CVS Caremark both will take a big chunk of their money back in the coming months.

The issue of Medicaid reimbursements has been hot in Ohio, with community pharmacists saying OptumRx and CVS Caremark are paying so poorly that they're driving them out of business, and in some cases, threatening to deprive needy communities of health care.

In fact, Ohio Board of Pharmacy license data show that 400 pharmacies have closed in the Buckeye State since 2013.

Meanwhile, OptumRx and CVS Caremark have been scooping up a big share of drug spending by Ohio's Medicaid program, a state-federal health insurance setup for the poor and disabled. As part of its Side Effects investigation of pharmacy benefit managers, reporting by The Dispatch last year prompted a state-funded analysis showing that in a single year, OptumRx and CVS charged taxpayers, through managed-care organizations that run Medicaid, \$244 million more for Medicaid drugs than they paid Ohio pharmacists.

With both houses of the state legislature and Gov. Mike DeWine all vowing to reform the way Ohio pays out \$2.5 billion a year for Medicaid drugs through the

PBMs, things seemed to get better this year — at least regarding payments by OptumRx.

A [Dispatch analysis](#) of about three dozen pharmacies' confidential reimbursement data for the first quarters of 2019 and 2018 showed that OptumRx was paying pharmacists about \$3 per prescription over their cost, compared with the \$5 under the break-even point that CVS was paying. State surveys show that pharmacists need about \$10 a prescription to break even. But even the composite of about \$6.25 a script from CVS and Optum might be enough to keep them from fleeing the Medicaid program — or the pharmacy business altogether, said Antonio Ciaccia, spokesman for the Ohio Pharmacists Association.

“It appears that (managed-care company) UnitedHealthcare and OptumRx (which is owned by UnitedHealthcare) have really changed their attitude on pharmacy this year within Medicaid,” he said. “They have engaged the Ohio pharmacy community directly and so far are working to evolve their approach to a traditionally overlooked and underutilized component of patient care.”

However, some fear there's a catch.

“The pharmacists might believe their Optum reimbursement is better, but it's not,” said Pickerington pharmacist Nate Hux.

He explained how both OptumRx and CVS Caremark seem poised to take some of that money back.

Hux, like many community pharmacists, is part of a drug-buying group that seeks to use their numbers to create leverage as they contract with the PBMs. With OptumRx, CVS Caremark and Express Scripts controlling more than 70% of the marketplace, the drug buyers need all the clout they can get.

Hux belongs to Nottingham, Maryland-based EPIC Pharmacies, which represents 1,500 independent pharmacies nationwide. According to research firm Drug Channels Institute, EPIC is owned by its pharmacy members, in contrast to other such groups that are owned by drug wholesalers such as Cardinal Health and McKesson.

In December, EPIC notified Hux that OptumRx and CVS had amended their

agreements with the drug-buying group. Though the PBMs would continue to reimburse pharmacies for prescriptions, they also said that, for the first time, they would go back and reconcile those claims months later based on an “effective rate” formula. The memo anticipated that, on balance, those reconciliations would require pharmacists to eventually return money.

So EPIC began hedging against unpleasant surprises by withholding a portion of the PBM payments to pharmacies.

EPIC “will begin escrowing for this agreement in 2019,” the memo said of the OptumRx contract. “This should avoid your pharmacy from having a large deduction due from one payment cycle.”

The amounts being held in escrow come from prescriptions for patients who are covered by all types of insurance, so it’s impossible to say how much is solely related to Medicaid reimbursements. But so far this year, EPIC is holding onto \$40,000 of Hux’s drug reimbursements — \$21,000 from OptumRx and \$19,000 from CVS Caremark.

To Hux, already impatient with an industry that uses secret, self-generated pricing lists and that handles billions in secret manufacturer reimbursements, the idea that PBMs would pay him and then take money back based on an obscure, self-determined formula is just another way of hiding the ball.

“It’s just one more level of non-transparency,” he said. “It gives the (health) plan a different picture than the reality. The plan sees one reimbursement and the pharmacy is seeing something different.”

Another buying group, Elevate Provider Network, which serves dozens of independent pharmacies in Ohio, recently told members that they should plan on returning up to \$10,000 per quarter under new reimbursement provisions with CVS. Unlike EPIC, however, Elevate did not withhold any of the PBM payments to pharmacies.

“Even though the reconciliation process is annual, Elevate would like to send you quarterly estimated recoupment updates, to allow your pharmacy to better plan and forecast. We believe a quarterly process will help you avoid any larger, unexpected recoupments by the PBM,” Elevate wrote in a recent letter to

pharmacists.

“The introduction of these benchmark measurements is an industry trend that has created a more complex environment for every (drug-buying group) and its member pharmacies.”

CVS spokesman Michael DeAngelis said effective-rate reimbursement plans provide “a guaranteed overall annual reimbursement rate for generic drugs across all of the networks in which a pharmacy participates in order to provide a predictable overall reimbursement rate in an environment of frequent cost fluctuations.”

He added that effective-rate “reconciliation is performed at the end of the contract year to ensure that the contractual commitment has been achieved for both parties. Each party will reimburse the other if there is either an overall overpayment or underpayment for the year. (The buying groups) are responsible for communicating the contracted rates to — and facilitating any potential reconciliation procedures for — their participating pharmacies.”

For their part, OptumRx and Hux’s buying group don’t seem eager to shed additional light on the system.

EPIC didn’t respond to several requests for comment.

Asked last month whether OptumRx planned to “clawback” or “true up” funds from pharmacists, company spokesman Andrew Krejci said in an email, “We do not do clawbacks.”

Many states have outlawed a specific practice known as a clawback. It involves forcing pharmacists to return money to the PBM if a patient’s co-payment is greater than the cost of a drug.

Krejci was asked to clarify whether OptumRx’s agreement with EPIC calls for periodic reconciliations based on its formulas for setting prices. He didn’t answer the question.

“Pharmacies often contract directly with large group contracting organizations to become part of our pharmacy network,” Krejci said in an email. “We do not have access to the information in those contracts or the communications between

pharmacies and their group contracting organizations. We do not do clawbacks.”

Steven L. Bennet, an attorney with Frier Levitt, a New Jersey-based law firm specializing in health care, said he knew of at least one other buying group besides EPIC that holds pharmacy payments in escrow for future reconciliations.

He said he believes the trend will spread to others.

For Hux, it’s just one more layer of obscurity in a system that’s already far from transparent.

“I don’t know who is making the money, but it’s easier to hide money, easier to steal money.”

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