



Department of Medicaid

John R. Kasich, Governor
Barbara R. Sears, Director

July 13, 2018

Mr. Gary Rutherford
Chief Clinical Officer, Co-Founder
HealthPlan Data Solutions, LLC
88 East Broad Street, Suite 1340
Columbus, Ohio 43215

Dear Mr. Rutherford:

This letter is to confirm our verbal agreement reached by telephone on July 12, 2018, in which HealthPlan Data Solutions, LLC (HDS) granted the Ohio Department of Medicaid permission to share any and all information included in the analysis HDS conducted for Ohio Medicaid and delivered on June 15, 2018, on the performance of pharmacy benefit managers (PBMs) contracted by Ohio Medicaid's five managed care plans. Per this agreement, Ohio Medicaid will publicly release the full HDS report at 5 p.m. on Tuesday, July 17, 2018. At that time, the report will be provided to any party that has requested its release.

Over the past seven years, the State of Ohio has successfully extended Medicaid coverage to an additional 700,000 low-income Ohioans, an improvement that has only been possible because Ohio first succeeded in reforming Medicaid to control its costs and reduce its inflation rate from greater than nine percent to less than three percent annually. Key to this has been getting control of prescription drug costs while simultaneously ensuring Ohioans on Medicaid still have access to the medicine they need.

Further progress can and should be made to control costs, however, and Ohio is moving ahead aggressively to end the secrecy in drug prices that so badly distorts the health care market and drives up costs for everyone. Pharmaceutical manufacturers go to extreme lengths to keep drug prices secret from the public and this secrecy is passed down through the value chain, creating mistrust among payers, insurers, benefit managers, pharmacists and patients. All are forced to speculate whether the price they pay for drugs is fair. Recently, this mistrust has been exacerbated by escalating manufacturer prices and a national campaign organized by PhRMA to shift attention to other aspects of the prescription drug supply chain ([Washington Post](#), [New York Times](#)).

Ohio Medicaid's goal is to ensure Medicaid enrollees have access to the services they need at the best possible price for Ohio taxpayers, including prescription drugs. For these reasons, in April 2018, Ohio Medicaid contracted with HDS to conduct an independent third-party analysis of the performance of pharmacy benefit managers (PBMs) contracted by Ohio Medicaid's five managed care plans. Specifically, Ohio Medicaid's contract asked HDS to identify the spread between the price billed to managed care plans and the price paid to pharmacies.

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The executive summary of this report, which Ohio Medicaid made public on June 21, provided a complete account of HDS's key findings:

1. The combined spread between what was billed to managed care plans and paid by CVS Caremark and Optum Rx to pharmacies is 8.8 percent;
2. Independent pharmacies were reimbursed 3.6 percent more for brand and 3.4 percent more for generic drugs compared to CVS pharmacies; and
3. Medicaid managed care PBM pricing saves Ohio taxpayers at least \$145 million annually compared to fee-for-service providers.

Ohio Medicaid's public release of the HDS executive summary provided greater transparency into Medicaid managed care PBM pricing than any other state has achieved. The release of the findings received significant attention and generated interest in the full report. Ohio Medicaid has received inquiries from legislators, other state investigative agencies, and the media seeking the full report. Our preference is to always be as transparent as possible, but the department did not immediately release the full HDS report out of concern that information or analysis contained in the report was considered by HDS or others as confidential and proprietary.

However, after a complete review, Ohio Medicaid has concluded that Ohio's Public Records Act and the public benefit of having access to the full report takes precedence over other concerns. We applaud HDS for valuing that transparency as well. We believe that sharing the entire report will have great value in Ohio and nationally.

Sincerely,



Barbara R. Sears
Director

CC: Ohio Medicaid Managed Care Plans
CVS/Caremark
Optum Rx

Deliveries via email