

February 28, 2023

The Honorable Liz Krueger, Chair, Senate Finance Committee
The Honorable Helene Weinstein, Chair, Assembly Ways and Means Committee
The Honorable Gustavo Rivera, State Senator
The Honorable Amy Paulin, State Assemblymember
NYS State Capitol Building
Albany, NY 12224

Dear Chair Krueger, Chair Weinstein, Senator Rivera, Assemblymember Paulin, and distinguished members:

The National Community Pharmacists Association (NCPA) is writing to express its continuing and unwavering support for the Medicaid pharmacy benefit “carve-out” scheduled to take effect on April 1, 2023. NCPA represents the interest of America’s community pharmacists, including the owners of more than 19,400 independent community pharmacies across the United States and more than 2,500 independent community pharmacies in New York State. These pharmacies employed nearly 32,000 individuals and they filled approximately 163 million prescriptions in 2021, generating more than \$10.3 billion in total sales.

We urge you to move forward with the carve-out to protect New York’s Medicaid beneficiaries, taxpayers, and community pharmacies with the superior transparency of a fee-for-service program. California, Missouri, North Dakota, Tennessee, West Virginia, and Wisconsin have carved their pharmacy benefits out of the Medicaid managed care program, and Nevada plans to do the same for fiscal year 2023. This move helped West Virginia save over \$54.4 million¹ and North Dakota save \$17 million² in Medicaid spending in one year by carving its Medicaid pharmacy benefits out of the managed care program. California estimates that the carve out will save at least \$150 million a year.³

In 2020, the New York State legislature decided to enact the carve-out because it was clear that the Medicaid prescription drug benefit was being mismanaged by managed care organizations and their pharmacy benefit managers (PBMs) under the managed care program. After investigating the role of PBMs, the Senate Committee on Investigations and Government Operations released a report finding that “PBMs often employ controversial utilization and management tools to generate revenue for themselves in a way that is detrimental to health plan sponsors, patients, and pharmacies.”⁴ Comptroller DiNapoli found New York paid its PBMs \$605 million in unnecessary costs over four years, because the PBMs created drug formularies that resulted in rebates that were in the best interest for the PBM, not the state.⁵

1 <https://dhhr.wv.gov/bms/News/Pages/West-Virginia-Medicaid-Pharmacy-Savings-Report-is-Now-Available!-.aspx>

2 <https://www.nd.gov/dhs/info/testimony/2021/house-approp-hr/hb1012-medical-services-overview-expansion-1-14.pdf>

3 <https://lao.ca.gov/reports/2020/4161/Medi-Cal-Budget-021420.pdf>

4 New York Senate Committee on Investigations and Government Operations, Final Investigative Report: Pharmacy Benefit Managers in New York, (May 31, 2019), available at https://www.nysenate.gov/sites/default/files/article/attachment/final_investigatory_report_pharmacy_benefit_managers_in_new_york.pdf.

5 Office of the New York State Comptroller, Medicaid Program: Cost of Pharmacy Services Under Managed Care, (Sept. 2020), <https://www.osc.state.ny.us/files/state-agencies/audits/pdf/sga-2020-19s11.pdf>.

Not only do MCOs/PBMs waste taxpayer dollars, but they also threaten patient access to community pharmacy services. And the problems are not unique to New York. An audit of Florida's Medicaid managed care program found Medicaid beneficiaries were steered to MCO/PBM-owned pharmacies, which were reimbursed at higher rates than non-affiliated pharmacies for dispensing the same specialty drugs.⁶ Keeping Medicaid prescription drug benefits in the managed care program allows MCO/PBM conflicts of interest to supersede beneficiaries' ability to make healthcare decisions for themselves.

The problems caused by MCO/PBM management of prescription drug benefits that led the legislature and Governor to enact the carve-out in 2020 continue to exist today. Delaying implementation of the carve-out again will only allow those problems to continue wasting tax dollars while providing no added benefits for Medicaid beneficiaries.

We know how to fix New York's Medicaid prescription drug benefit program, and that plan has been in process for over two years. Too many tax dollars have been wasted on MCOs/PBMs, and too many beneficiaries have been kept from accessing their trusted community pharmacies.

We urge you to finish what was started in 2020 and fully implement the carve-out without further delay. Thank you for your time and consideration. If you have any questions, please do not hesitate to contact me at joel.kurzman@ncpa.org.

Sincerely,

A handwritten signature in black ink that reads "Joel Kurzman". The signature is written in a cursive style and is centered within a light gray rectangular box.

Joel Kurzman
Director, State Government Affairs

⁶ Milliman, Florida Agency for Health Care Administration: Pharmacy Benefit Manager Pricing Practices in Statewide Medicaid Managed Care Program (Dec. 2020).