



**Commonwealth of Kentucky  
Cabinet for Health and Family Services**

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**Kentucky Medicaid Releases Report on Pharmacy  
Benefit Program**

**FRANKFORT, Ky.** (Feb. 19, 2019) – The Cabinet for Health and Family Services Department for Medicaid Services (DMS) and Office of Health Data and Analytics released a new report today on the state’s pharmacy benefit program.

[“MEDICAID PHARMACY PRICING: Opening the Black Box”](#) looks at the impact and role of Pharmacy Benefit Managers (PBMs), which serve as intermediaries between Medicaid Managed Care Organizations (MCOs) and pharmacies. The report provides recommendations to help create transparency, control the pricing of medications for Medicaid beneficiaries, and improve the care provided by pharmacies within the Commonwealth.

“This report represents the first step in introducing transparency to the pharmacy program. We have additional steps that we will need to take in order to make this program fully transparent,” said Commissioner Carol Steckel. “It is important that all stakeholders be involved in the discussions of solutions in this complex program in order

to carefully anticipate any potential unintended consequences that may increase the Medicaid budget, or reduce access to pharmacy services for our beneficiaries.”

Various state Medicaid programs have raised questions about PBMs, particularly the percentage of pharmaceutical manufacturers’ rebates retained as profit versus the percentage of dollars used for reimbursement of pharmacy services and quality assurance.

The PBMs negotiate rebates for various pharmaceutical drugs on the Medicaid approved list, as well as discounts for products and work needed to develop and maintain approved lists of drugs for health insurers. In Kentucky, CVS/Caremark and ExpressScripts serve as the PBMs for the five MCOs operating in Kentucky.

MCO beneficiaries fill almost 25 million prescriptions per year in Kentucky.

In 2017, DMS received almost \$1.3 billion in federal rebates from Medicaid managed care prescriptions. PBMs also negotiate their own supplemental rebates with manufacturers.

Among other things, the report states that many of the concerns affecting independent pharmacies cannot be seen in an analysis of this type. Direct and indirect remuneration fees, or after point of sale fees, are not captured accurately. Pharmacy organizations within the Commonwealth have reported that these retroactive fees assessed by PBMs to independent pharmacies are hurting their current practices.

“PBMs provide valuable services to the MCOs they serve and to Medicaid beneficiaries,” concluded Commissioner Steckel. “It is important that we are able to monitor these services and payments in response to our fiduciary responsibility to Kentucky taxpayers.”

The report was developed after analyzing the data newly available under Senate Bill 5, legislation passed in 2018 that provided for more transparency in Kentucky’s Medicaid pharmaceutical benefit program. A full version of the report can be found online here - [https://chfs.ky.gov/agencies/ohda/Documents1/CHFS\\_Medicaid\\_Pharmacy\\_Pricing.pdf](https://chfs.ky.gov/agencies/ohda/Documents1/CHFS_Medicaid_Pharmacy_Pricing.pdf).

*The Cabinet for Health and Family Services is home to most of the state's human services and healthcare programs, including the Department for Medicaid Services, the Department for Community Based Services the Department for Public Health, the Department for Aging and Independent Living and the Department for Behavioral Health, Developmental and Intellectual Disabilities. CHFS is one of the largest agencies in state government, with nearly 8,000 full- and part-time employees located across the Commonwealth focused on improving the lives and health of Kentuckians.*