

Mail Order Parity Verification: HB 3266 Miller

KEY POINT: Auditing mail order for parity is a compliance and deterrent tool.

1. PBMs rack up 35 to 55 percent of their gross margins from mail order, often making more money than chain and independent stores.
2. It is a conflict of interest when PBMs become mail order vendors. They take off their “manager” hat and put on their “retailer” hat.
3. Complaints about mail order include using different benchmark pricing to inflate costs.
 - a. Using a less accountable, more pliable pricing system.
 - b. Repackaging from larger quantities for the purpose of changing the underlying price.

A larger discount may appear better, but when it is based on a higher benchmark number, it may result in a higher net cost to the plan.

Did you know CVS Caremark has a license from the FDA to repackage and assign its own pricing?

KEY POINT: Mail order claims audits are necessary because:

1. The state does not know whether state health plans are complying with SB 704 from the 81st Texas Legislature. This law allows enrollees to obtain multiple-month prescriptions from a community retail pharmacy at the same cost as when the prescription drug is obtained from a mail order pharmacy.
2. **PBMs are the most litigated segment of health care as a result of discovering excessive and hidden overcharges.**
3. Most lawsuits are the result of an audit that identifies PBM overcharges to the plan.
4. PBMs have the highest gross operating margins in health care, most of which is hidden from plans, with almost half of their margins from mail.
5. Audits are highly advised by experts:
 - a. To “keep vendors honest”
 - b. To check on performance
 - c. Gives trustees of the plan a tool to better manage taxpayer dollars

KEY POINT: Audits can save money and do NOT require a large fiscal note

1. Typical audits identify 3 to 10 percent in overcharges.
2. Ensuring mail order parity does not require a comprehensive audit, rather only a low-cost, desktop audit of a sampling of claims.
3. Identifying overcharges can offset the cost of an audit.