

Pharmacy Benefit Costs

Why We Conducted This Review

This report provides information on the costs associated with pharmacy benefits provided by plan sponsors including the Louisiana Department of Health (LDH), the Office of Group Benefits (OGB), and Louisiana State University (LSU) during fiscal years 2018 through 2022. We conducted this review in response to legislative interest including House Resolution 167 of the 2023 Regular Legislative Session. The average annual costs provided in this report are for informational purposes only and should not be treated as comparisons.

What We Found

The exhibit below summarizes the pharmacy plans we reviewed and the annual average number of participants in each plan during fiscal years 2018 through 2022.

Summary of Pharmacy Plans Reviewed • Fiscal Years 2018 through 2022		
Plan Sponsor	Plan Description	Annual Average Number of Plan Participants
Louisiana Department of Health <i>(Medicaid)</i>	Provides health benefits including pharmacy for elderly, disabled, and low-income individuals	1,714,896
Office of Group Benefits <i>(Magnolia Open Access, Magnolia Local, Magnolia Local Plus, and Pelican HRA1000)</i>	Provides health benefits including pharmacy for state employees, some retirees, and their dependents	162,784*
LSU <i>(LSU First)</i>	Provides health benefits including pharmacy for employees of the LSU System, the Louisiana Legislative Branch, some retirees, and their dependents	17,793

*Excludes OGB members who are enrolled in Medicare
Source: Prepared by legislative auditor's staff using information provided by LDH, OGB, and LSU.

Overall, we found the following:

- **The cost to provide pharmacy benefits varies among the plan sponsors due to rebates, plan participants' demographics and utilization, and the design of the benefit plan.** Due to these factors, the average annual cost per participant to provide pharmacy benefits ranged from a low of \$649 for LDH to a high of \$1,622 for OGB, as shown in the exhibit on the following page.

The **cost** to provide pharmacy benefits to plan participants includes the cost of each prescription plus administrative fees paid to the Pharmacy Benefit Manager (PBM), minus rebates and other credits paid back to the plan sponsor.

What We Found (Cont.)

Average Annual Cost to Provide Pharmacy Benefits per Plan Participant Fiscal Years 2018 through 2022*		
LDH	OGB	LSU
\$649	\$1,622	\$1,597

*LDH includes only fiscal years 2018 through 2021. See Appendix A for our methodology.
Note: Costs provided for informational purposes only and should not be used for comparison purposes.
Source: Prepared by legislative auditor's staff using information provided by LDH, OGB, and LSU.

- **The price that the plan sponsors pay for medications varies depending on the pricing terms defined in the PBM contract or specified by Medicaid requirements.** As a result, the average ingredient price for a commonly-dispensed generic medication ranged from a low of \$29.01 for OGB to a high of \$43.79 for LSU. For a commonly-dispensed brand-name medication, the price ranged from a low of \$877.09 for OGB to a high of \$910.52 for LSU.
- **The administrative costs that plan sponsors pay vary based on the specific services and compensation negotiated between the PBMs, other vendors, and the plan sponsor.** As a result, the administrative costs to manage the pharmacy benefit plans ranged from an average of \$23.39 for OGB to \$28.54 for LDH per plan participant per year, as shown in the exhibit below.

Average Administrative Costs Fiscal Years 2018 through 2022	
Plan Sponsor	Average per Plan Participant per Year
LDH	\$28.54
OGB	\$23.39
LSU	\$28.23

Note: Costs provided for informational purposes only and should not be used for comparison purposes.
Source: Prepared by legislative auditor's staff using information provided by LDH, OGB, and LSU.

- **Plan sponsors monitor PBMs and other vendors that provide pharmacy benefit services in various ways. For instance, OGB plans to implement near real-time monitoring based on an emerging practice in contract monitoring.** Real-time monitoring uses computer software to conduct electronic reviews of 100% of prescription drug claims in real time to identify all deviations from the terms of the PBM contract.