46brooklyn's responses to PCMA statement (in red):

"The data peddled by special interest lobbyists cherry-picks a very small number of drugs and therefore gives an incomplete and inaccurate picture of prescription drug costs in Medicaid.

Antonio Ciaccia: I am the only lobbyist associated with 46brooklyn.

Pharmacy benefit managers (PBMs) serve as the only check against drugmakers' sole power to set and raise prices. PBMs advocate on behalf of consumers to keep prescription drugs accessible and affordable and improve the quality of benefits for consumers, employers, and public programs, including Medicaid.
In addition, often specialty drugs require a level of experience and expertise that most drugstores simply do not possess."

Background Points on 46brooklyn/3 Axis Advisors reports on PBMs in Medicaid Managed Care programs

- Research conducted by 46brooklyn/3 Axis Advisors is narrow and limited because it highlights only a very few selected drugs, while paying little or no attention to the costs of the overall health plan. This is "cherry-picking" specific generic drug examples, which are very few, that fit their created narrative, but are not representative of drug spending generally.

  AC: Essentially, this entire statement is false.

  While we highlight several drugs as examples, every individual example comes from comprehensive charts that include an overwhelming majority of the drugs dispensed and paid for through state Medicaid programs. All of our methodology, data sources, and limitations are laid out ad nauseum on our website and in our reports.

  As for focusing on overall costs, if they would have taken the time to actually read the report, they'd see that the very first Figure in it actually does show overall costs to the state, where Per Member Per Month rates for prescription drugs in Ohio increased by nearly 20% in just two years. That same chart showed overall generic drug spending increasing at a time of massive generic price deflation and massive cuts to Ohio pharmacies.

- The National Average Drug Acquisition Cost (NADAC) and CMS's State Drug Utilization Data (SDUD) are used by 46brooklyn as primary data sources. These sources are highly variable and not always reliable for drug pricing analyses. For example, NADAC does not accurately show acquisition costs for specialty drugs and specialty pharmacies, and generic specialty drugs comprise nearly all of the specific examples cited in 46booklyn research.

NADAC is based on actual surveyed prices within the marketplace. It has its limitations, but it is the best publicly-available reference-based pricing benchmark in the country, which is why nearly three-quarters of the states across the country use it as a benchmark in their Medicaid programs (https://www.medicaid.gov/medicaid/prescription-drugs/state-prescription-drug-resources/drug-reimbursement-information/index.html) and obviously, why CMS creates it and updates it in the first place. Additionally, CMS says that NADAC covers 97% of all generic claims in Medicaid (See #20 here:https://www.medicaid.gov/medicaid-chip-program-information/by-topics/prescription-drugs/ful-nadac-downloads/nadacqa.pdf). And since we analyze all oral solids (due to unit mismatches on creams, drops, injectables, etc), those account for 78% of all generic prescriptions and 68% of total Medicaid drug spend (we'd be happy to send a granular breakdown if you want it).

Since NADAC is a reflection of surveyed pharmacy prices, and since PBM-owned pharmacies dominate the specialty market, the reason that NADAC data doesn't exist would be because specialty pharmacies (like those represented by PCMA) have not submitted enough usable data to CMS to actually track those prices. We believe that all pharmacies should be submitting their data to CMS to better enhance the value of the survey and to make NADAC a more robust benchmark. The reason generic Gleevec is so important is that it provides some of the only sunlight we can find into what could be happening in the specialty generic drug space. Further, our research is not limited to generics, and all available brand & specialty oral solids can be found on our website as well, so long as a NADAC exists. We are – and have always been transparent – with our methodology, and because all of our data is sourced and available for download, our analyses can be replicated or done differently by whoever wants to do try it.

- The 46brooklyn research omits any analysis of rebates and price concessions, and the analysis of NADAC costs to pharmacies does not include other discounts, such as wholesaler discount to pharmacies.

Rebates from drug manufacturers are based on AMP and have no bearing on the transactional data on our website, and conversely, those rebates do not influence the transactional data either. Further, the state capitation rates do not factor those rebates into their work. We also believe that those rebates should enjoy the same sunlight as the State Utilization Data.

Additionally, our report and previous reports stipulate that wholesaler rebates that pharmacies can earn for purchasing volume is not included in the NADAC data either. Of course, this would mean that the true net markups are even larger than our charts show, which further begs the question of how exactly PBMs are actually containing costs. We also believe that rebate data should be tracked by CMS as well.

- Reimbursement for a few generic drugs is a small portion of the overall picture. Health plan sponsors make decisions on PBM contracts based on the overall costs, quality, and outcomes associated with the entire benefit plan. In Ohio, generic drugs accounted for 83.4% of Medicaid MCO prescription drug volume, for example, but only 22.5%% of total MCO

prescription drug gross spending. Focusing on a sliver of one small component of spending is not uncovering gross market distortions.

Actually, it is uncovering gross market distortions. And according to Ohio's Auditor, it's $225 million worth of gross market distortions. And it just so happens to come from the only remote level of transparency that we could find in the system, which our work helps to amplify. The jig is up on PBM generic drug pricing games. This report arguably beats that dead horse, but it also provides a new glimpse into the PBM incentives in the specialty marketplace and the risks of vertical integration, which as we've shown, are especially concerning.