



Friday, January 16, 2004

Prescription Drugs

PBM Reimbursement Practices Contributing to Rising Prescription Drug Costs, Study Says

The disparity between the amounts that pharmacy benefits managers charge clients and reimburse pharmacies is "contributing to the rapid rise in health care costs," according to a pilot study in the *Journal of the American Pharmacists Association*, the [Newark Star-Ledger](#) reports. To conduct the study, researchers analyzed 129 prescriptions filled at drug stores in six states and found that PBMs earned an average of \$12.29 per prescription. PBMs charged clients about \$4.65 more than they reimbursed pharmacies for brand-name drugs and about \$23.45 more for generic drugs, according to the study. Robert Garis, co-author of the study and a pharmacy professor at [Creighton University](#), said, "This indicates an unnecessary markup. A lot of increases in out-of-pocket costs are due to this spread. The losers are the clients and consumers." However, in a rebuttal to the study published in the journal, former [Medco Health Solutions](#) Senior Vice President Terry Latanich wrote, "Unfortunately, the data reported in this pilot study are faulty, and the work should not be viewed as scientifically rigorous research." He maintained that the different contracts PBMs negotiate with clients create the difference in prices, adding that the pricing system is "viewed as a very appropriate and a reasonable, rational, realistic way to conduct business in this arena." The *Star-Ledger* reports that almost 24 states are investigating PBMs' pricing practices (Silverman, *Newark Star-Ledger*, 1/16).

Coal Company Alleges Medco Favored Merck Products

In related news, Missouri-based coal company [Peabody Energy](#) has filed a lawsuit alleging that Medco, which managed a prescription drug benefit for the firm, favored products made by [Merck](#), which until August 2003 was the PBM's parent company, the [St. Louis Post-Dispatch](#) reports. Peabody in 1999 hired Medco to manage a drug benefit for about 31,000 employees, retirees and dependents. In the lawsuit, filed Dec. 23 in U.S. District Court in St. Louis, Peabody seeks \$35 million in compensatory damages and alleges that Merck:

- Directed Medco to ensure that Merck's patented drugs were included on the employees' preferred drug list;
- Required Medco to provide drugs made by Merck to patients at rates that exceeded Merck's general market share nationwide; and
- Directed Medco to encourage patients to use Merck's cholesterol drug Zocor instead of [Pfizer's](#) rival treatment Lipitor, even though Zocor is "significantly more expensive and cost Peabody more," according to the suit.

The value of the contract was not available, the *Post-Dispatch* reports. A spokesperson for Merck declined to comment on the case, according to the *Post-Dispatch*. Medco spokesperson Jennifer Leone declined to comment on the suit but said that Medco "fulfilled all of our contractual obligations to Peabody." The lawsuit represents "the latest in a series of similar allegations" against the companies, according to the *Post-Dispatch*. However, Glenn Garmont, an analyst for New York-based [First Albany](#), said it might be difficult for the plaintiffs to prove that they were not aware of the connection between Medco and Merck. "The relationship between Merck and Medco is one that is fairly well-known and publicized," Garmont said (Shinkle, *St. Louis Post-Dispatch*, 1/15).