
PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

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News for Immediate Release

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Auditor General DeFoor Launches Performance Audit into Pharmacy Benefit Manager Oversight

HARRISBURG – Auditor General Timothy L. DeFoor today announced his department will conduct a performance audit of state contracts and oversight of Pharmacy Benefit Managers (PBMs) used by Pennsylvania Department of Human Services’ (DHS) HealthChoices Medicaid Program.

“Both the Shapiro Administration and the legislature have asked us to take a closer look to make sure these contracts are being followed and there are no hidden fees being passed onto taxpayers,” Auditor General DeFoor said. “We need to make sure that everyone in the process, from the patient to the pharmacy to DHS, knows exactly how much is being charged, who is paying the bill, and that the contracts designed to protect us are being followed. This is a significant issue with major financial implications, which is why we are taking the extraordinary step of discussing it as the audit gets underway.”

“Pennsylvania’s Medicaid program is the largest payor of health services in the Commonwealth, and as stewards of taxpayer resources, we are committed to ensuring that this program is making high quality health care more accessible to Pennsylvanians,” DHS Secretary Val Arkoosh said. “It is our responsibility to ensure access to pharmacy and other MA covered services, and I am hopeful that this audit will help DHS better understand the relationship between MCOs, PBMs, and pharmacies to ensure we are best coordinating services for people who rely on Medicaid for health care.”

In the Medicaid program (called Medical Assistance in Pennsylvania), DHS enters into competitively-procured agreements with managed care organizations (MCOs) to administer the program and provide covered services to eligible individuals. The MCOs may choose to subcontract with Pharmacy Benefit Managers (PBMs). The PBMs develop and maintain the pharmacy provider network through contracts with the pharmacies. The PBM-pharmacy contracts establish the rates the pharmacies are paid for dispensing medications to the Medicaid MCO members. The MCOs report all paid pharmacy claims to DHS, including the amount the MCO pays to the PBM and the amount the PBM pays to the pharmacy for each claim. The MCO claims are utilized by DHS to calculate the risk-based capitation paid monthly to the MCOs to operate the program.

Auditor General DeFoor anticipates it will take 12-18 months to complete the audit.

For more information about performance audits, visit www.paauditor.gov .

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