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## Report Highlights

# Oversight of Pharmacy Benefit Managers

## Louisiana Department of Insurance

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### Why We Conducted This Audit

This audit focuses on the Louisiana Department of Insurance's (LDI) oversight of Pharmacy Benefit Managers (PBMs) in Louisiana. PBMs administer prescription drug coverage by acting as an intermediary between pharmacies, drug manufacturers, and consumers. The number of PBMs operating in Louisiana has increased significantly over a 10-year period, from five in 2007 to 32 in 2017. LDI is the only agency with licensing authority over PBMs and can revoke or suspend licenses if PBMs do not adhere to statutory requirements.

### What We Found

Regulation of PBMs is important because their role has changed beyond traditional claims processing. PBMs are now involved in drug utilization review, developing a drug plan formulary, determining which pharmacies are included in a prescription drug plan's network, deciding how much network pharmacies will be reimbursed for their services, and operating mail order and specialty pharmacies. Overall, we identified areas where LDI could use its authority to strengthen its oversight of PBMs. Specifically, we found the following:

- **Although LDI has the discretion to conduct regulatory reviews of PBMs, it has not conducted any.** Because LDI is the only agency that has licensing authority over PBMs, it should consider developing a proactive process to review them for compliance with state laws. These laws include directives for consumer and pharmacist payments for prescriptions, drug price calculations, and requirements for the maximum allowable costs of drugs.
- **LDI did not collect sufficient supporting documentation before closing 25 (60%) of the 42 complaints filed against PBMs and did not always ensure complaints were resolved in a timely manner.** In addition, based on survey responses from pharmacists across the state, it appears that some do not file complaints because they believe LDI does not fully investigate them.
- **LDI should consider developing guidelines in rules and regulations that specify consequences, such as fines, when PBMs violate state laws.** For example, during its complaint investigations from calendar year 2011 through August 2017, LDI validated a total of 14 complaints in favor of the complainant, not the PBM. However, LDI did not fine the PBMs for these violations.

View the full report, including management's response, at [www.la.gov](http://www.la.gov).