STATE OF LOUISIANA
DIVISION OF ADMINISTRATION
OFFICE OF GROUP BENEFITS

October 24, 2025

Via email only

Senator Glen Womack
Chairman of the Joint Legislative Committee on the Budget (JLCB)
P.O. Box 94183
Baton Rouge, LA 70804
sen32@legis.la.gov

Re: 2025 Pharmacy Benefit Manager (PBM) Emergency Contract Third Quarterly Report

Dear Senator Womack and Members of JLCB:

In 2024, after research and multiple discussions, the Office of Group Benefits (OGB) entered into an Emergency Contract for pharmacy benefit manager (PBM) services for the 2025 Plan Year. In October 2024, OGB presented the Emergency Contract to JLCB. JLCB requested that OGB provide quarterly updates regarding the Emergency Contract. September 30th marks the end of the third quarter of the Emergency Contract. As such, OGB submits this Third Quarterly Report.

With a January 1, 2025 effective date, the Emergency Contract changed the way Louisiana Independent Pharmacies are reimbursed for the price of the drugs they dispense. Instead of using the traditional Average Wholesale Price discount, OGB is using the National Average Drug Acquisition Cost (NADAC) to reimburse these pharmacies for OGB's Commercial population.[1] NADAC provides an alternative metric for determining prescription drug pricing. Unlike AWP – which is based on information self-reported by manufacturers to a private information services company headquartered in the Netherlands – NADAC is compiled by the Centers for Medicare and Medicaid Services ("CMS") using data submitted by retail community pharmacies in all 50 United States to determine the average price a pharmacy pays for a drug. Thus, NADAC reimburses a pharmacy its acquisition cost for the drug or service provided based on a nationwide benchmark. With OGB's Emergency Contract reimbursing Louisiana Independent Pharmacies using NADAC pricing, this means that these pharmacies receive reimbursement in the amount of their acquisition cost.

Additionally, OGB substantially increased the dispensing fee for Louisiana Independent Pharmacies under the 2025 Emergency Contract. Under the prior Contract, these pharmacies received a nominal dispensing fee for a 30-day supply and even less for a 90-day supply. Now, these Louisiana Independent Pharmacies are given a $9 dispensing fee for each prescription they fill whether it be brand or generic and regardless of the days supply. In reimbursing Louisiana Independent Pharmacies using NADAC pricing and increasing the dispensing fee, OGB sought to preserve network adequacy

[1] Commercial population are those members and dependents who do not have Medicare paying primary. Those with Medicare paying primary are on OGB's Employer Group Waiver Plan (EGWP) drug coverage which is heavily regulated by the federal government and reimbursed using the AWP discount model.

for its Plan Participants. Reimbursing Louisiana Independent Pharmacies in this manner resulted in an $8.7M increase in OGB's spend for these pharmacies when comparing the first six months of 2024 to same time for 2025. The increased dispensing fee accounts for $4.2M of the $8.7M.

Not only did OGB change the pricing reimbursement model for Louisiana Independent Pharmacies but OGB also required the PBM to charge a one-time, all-inclusive administrative fee for its services. OGB's PBM Emergency Contract for 2025 also contains language prohibiting the PBM from retaining any revenues the PBM obtains related to utilization or enrollment in OGB's Plans. This means that any financial benefit the PBM obtains as a result of the Emergency Contract must be given back to OGB. Additionally, the PBM is required to submit two Revenue Reports to OGB and the legislature in 2027, detailing the revenues obtained under the Emergency Contract.

Last year, in 2024, OGB spent a total of $266.5M for pass-through claims for the first two quarters (six months) for its Commercial plan. Under the 2025 Emergency Contract, OGB spent $287.8M for pass-through claims for the same time period for its Commercial plan, an increase of $21.3M or 8%.[2]

Similar to other group health plans, OGB has seen an increase in utilization of the most expensive category of drugs, specialty drugs. In the first half of 2023, OGB saw 5,707 Plan Participants utilize specialty drugs for a total of 25,500 prescriptions. For the same time period in 2025, the number of Plan Participants utilizing specialty drugs increased by 19% and the number of prescriptions by 23%. To provide an idea of how much specialty drugs impact OGB's spend, consider that for the first half of 2025, specialty drug prescriptions made up only 1.4% of all OGB prescriptions adjudicated under this Emergency Contract but accounted for 47.7% of OGB's spend for prescription drugs.

Also similar to other group health plans, OGB has been impacted by drug manufacturers inflating the price of the drugs as well as an increasing number of Plan Participants utilizing these drugs. In particular, OGB has seen increases in some of the drugs which were already causing OGB the highest spend. For example, OGB covers some GLP-1s for the treatment of Type II diabetes. Two of these drugs are responsible for OGB's highest spend for prescription drugs. From the first half of 2024 to the first half of 2025, OGB saw a 2% *decrease* in the number of Plan Participants using these two drugs. However, for the same time period, OGB saw an increase in spend for these two drugs. In the first half of 2024, OGB's spend for these two drugs was $60.5M while in the first half of 2025, OGB's spend for these two drugs was $72.6M, an increase of $12.1M.[3]

Likewise, OGB has seen significant increases in specialty drugs used to treat dermatological complaints. In 2025, four of the top ten drugs for OGB's spend were specialty drugs used for skin issues. Comparing the first half of 2024 to the first half of 2025, OGB saw the utilizers of these

[2] OGB provides the data through the second quarter of 2025 for this third quarterly report because the data from the third quarter is not yet available.
[3] This does not include any administrative fee or associated rebate.

expensive specialty medications increase by 22%. Additionally, OGB saw an increase to the cost of these drugs themselves, ranging from 4.8% to 6.5%. While a 4.8% increase may not seem like a large increase, if a drug costs $17,000, an inflation of 4.8% is $816.[4] When combined with the fact that OGB is paying for more prescriptions, the cost becomes significant. These two factors, increased drug cost and increased utilization, resulted in an increase of $11.3M in OGB's spend for these four drugs when comparing the first half of 2024 to the first half of 2025.

The increasing cost of prescription drug benefits is unsustainable. OGB must take action in the future to curtail these costs. In response to the rising costs of pharmaceuticals and complexities in the current market, OGB is strategically reassessing its approach to optimize the utilization of drugs and minimize waste. Specifically, OGB is planning to contract with a fully-transparent pharmacy benefit manager for its Commercial plan starting in January 2026 to implement cost saving measures. Some of the cost saving measures include the following:

- Formulary Design changes
- Biosimilar promotion
- Clinical oversight programs
- Step therapy enhancements
- Revisions to Prior Authorization policies
- Improved quantity limits to ensure appropriate drug use
- Separate copay or coinsurance tier for specialty medication
- Real-time pricing validation

Ultimately, the challenge for OGB will be to balance the desire to manage long-term population health with short-term health care costs. As costs continue to grow, challenging the status quo is essential to the sustainability and future of the plan.

Please contact me if you have any questions regarding the contents of this report.

Sincerely,

Heath Williams

Heath Williams
Chief Executive Officer
Office of Group Benefits

cc: Leslie D. Connelly, Administrative Secretary for the Senate Fiscal Division, dugasl@legis.la.gov
Members of JLCB:

[4] The average cost to OGB for one of these four drugs is $17,014/prescription.

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