



March 5th, 2021

Lehigh County Commissioners
17 S 7th Street
Allentown, PA 18101

For the Attention of the Lehigh County Board of Commissioners:

Dear Chairman Geoff Brace and Commissioners,

Several people have asked me about the McGriff Contract. To be clear, we do not have a current contract with McGriff. I have heard about creating a one-year or a three-year contract. If we sign a contract that is more than month-to-month agreement, that will be more than what McGriff has with Lehigh County today.

As you know, the Controller Office has released a detailed audit concerning the costs associated with the county's relationship to our PBM, Express Scripts. Our findings suggest that the county lost almost \$1.4 million in savings in the year 2019. The audit is clear that a significant amount of this lost savings came from the difference between the rebate and fixed-rate discount that the county elected to receive. Also, we were able to identify price differentials between the drugs offered by Express Scripts and those of similarly qualified competitors.

As Controller, I feel compelled to make the following recommendations regarding our contract with McGriff and future actions we could take, which can save the county significant money.

- 1. Provide contractual guarantee that Controller's Office can audit McGriff Contract without permission from the administration:** During the audit process, our office encountered delays and opposition when it came to information gathering. There was a definitive reluctance to help us expeditiously complete the audit. In addition, there was considerable time spent determining which information could be publicly released. The Controller's Office shouldn't experience any roadblocks regarding our mission of transparency and identifying cost savings.





2. **Increase transparency from McGriff:** While McGriff is not directly compensated for its services by the county, it benefits in many ways by serving as our broker. Highmark operates a book of business that rewards brokers for providing them with additional healthcare clients. Lehigh County should mandate full transparency and require McGriff to quantify the total monetary value of their relationship with Lehigh County with any vendor, including incentives from Highmark.
3. **Immediately Reprice with a Transparent Pharmacy Benefit Manager:** Pharmacy Benefit Managers have tremendous power in our healthcare system as we've previously documented. Lehigh County should require McGriff to identify and vet different PBMs who will be transparent about the full value of the rebate they receive from manufacturers. We should also mandate that they treat pharmacies ethically, as it's not uncommon for PBMs to undercompensate pharmacies for drugs.
4. **Require McGriff to request that the transparent PBMs negotiate directly with manufacturers to provide discounted drug prices instead of rebates.** The typical savings process in healthcare entails PBM's directly working with manufacturers to negotiate a rebate for a given drug. I believe that the use of rebates contributes directly to the rising cost of healthcare. Lehigh County should instead instruct our broker to work directly with the manufacturer to obtain drugs at a discounted rate and avoid the need for the rebate.
5. **Reverse Auction:** Lehigh County should consider having a reverse auction whereby qualified PBM bidders compete with one another to offer lower drug prices. This creates a savings incentive and intense competition amongst multiple PBMs to provide the county the best pricing. The State of New Jersey will save over \$2 billion through 2022 due to a reverse auction process for their PBM.
6. **Protect Local Pharmacies and Local Jobs:** Currently, Express Scripts operate its pharmacy by-mail system and encourage Lehigh County employees to use its mass distribution system. The county spends approximately \$630,000 on prescription drugs that are bought outside of the state. Lehigh County should allow local independent pharmacies the chance to compete and potentially offer lower drug prices than those at Express Scripts. In this way, the COL would also be supporting local small businesses.





OFFICE OF THE CONTROLLER

Mark Pinsley, MBA

Thomas Grogan, CPA

COUNTY CONTROLLER

DEPUTY CONTROLLER

I would urge the Board to take these recommendations seriously and exercise additional caution and oversight over our healthcare costs. We have a chance not only to save taxpayers money but, more importantly, redefine the parameters of how local governments interact and negotiate with insurers and healthcare brokers. Healthcare costs are one of the most pervasive issues in local government. Any effort we can make to reduce them is a tremendous win for our residents and employees.

Sincerely,

A handwritten signature in black ink that reads "Mark Pinsley".

Mark Pinsley
Lehigh County Controller

