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New Report Raises Serious Questions About Projected MassHealth Pharmacy Savings and Risks to Patient Care

Independent analysis challenges projected savings from pharmacy carve-out proposals and highlights implications for health equity, continuity of care, and state finances

BOSTON, MA — A new independent report released today by Wakely, a Health Management Associates (HMA) company, raises significant questions about whether proposals to separate pharmacy benefits from medical care in MassHealth would deliver meaningful savings to Massachusetts taxpayers while creating significant financial, operational, and patient care risks.

Commissioned by the Massachusetts Association of Health Plans (MAHP), the report, *Key Considerations for MassHealth Pharmacy Carve-Out*, examines reform scenarios being contemplated by MassHealth that would disaggregate responsibility for pharmacy benefits from MassHealth managed care organizations to the state, including potential changes affecting hospitals and community health centers participating in the federal 340B Drug Pricing Program.

"With prescription drug costs rising and Massachusetts facing mounting health care affordability challenges, MAHP supports efforts to control spending and protect the long-term sustainability of MassHealth, but today's report raises serious questions about whether the savings projected in the Health Policy Commission's recent analysis would translate into actual savings for the Commonwealth. We are equally concerned about the consequences for patients. Pharmaceutical and medical treatments are inextricably linked, and protecting health equity and continuity of care must remain central to any pharmacy reform," said Lora Pellegrini, President & CEO of MAHP.

While the HPC identified potential annual savings of approximately $10 million to $193 million, the Wakely analysis finds that those projections do not establish net savings to the Commonwealth. Important considerations include:

- Federal financing and rebate-sharing requirements;
- Potential state payments to offset losses to hospitals and other safety-net providers under the 340B Drug Pricing Program;
- Implementation and ongoing administrative costs;
- Financial risk that would shift from health plans to MassHealth; and
- Potential disruptions to patient care, medication access, and health equity.

"Shifting costs and financial risk is not the same as saving money," Pellegrini continued. "A carve-out could also drive up pharmacy costs for ConnectorCare, individuals, and employers in the commercial market by reducing health plans' purchasing power and volume discounts. Before undertaking a fundamental change to the program, the Commonwealth needs to demonstrate that the savings are real, sustainable, and greater than what could be achieved through reforms to the existing system."

The report also highlights the potential consequences of separating pharmacy coverage from medical and behavioral health services. Massachusetts has spent years developing a MassHealth program that integrates these services and holds managed care organizations accountable for health outcomes and total costs. A pharmacy carve-out could fragment care coordination and create additional challenges for members with chronic conditions and complex health needs.

Importantly, Wakely finds that MassHealth already has many of the tools needed to achieve pharmacy savings without fundamentally restructuring its managed care program. Targeted reforms could improve transparency, administrative efficiency, and rebate strategies while preserving integrated care. Experiences in other states that have implemented pharmacy carve-outs have produced mixed results, underscoring the need for a comprehensive assessment before Massachusetts pursues a similar approach.

The Massachusetts House of Representatives recently adopted language in its supplemental budget to delay implementation of significant pharmacy policy changes pending further analysis. The Senate is poised to adopt similar language tomorrow through Amendment #1, filed by Senator Cindy Friedman. The amendment would establish additional safeguards and require a comprehensive assessment of the fiscal, operational, provider, and patient access implications of the proposed reforms before implementation proceeds.

“Based on today’s report, the Commonwealth must demonstrate that a pharmacy carve-out would deliver meaningful, sustainable net savings without increasing costs elsewhere or compromising access, quality, health equity, or continuity of care,” Pellegrini said. “We have an opportunity to address rising prescription drug costs while protecting the progress Massachusetts has made in building a coordinated system of care. We need to get this right.”

MAHP remains committed to working with MassHealth, the Legislature, and other stakeholders on evidence-based reforms that reduce prescription drug spending and strengthen the long-term sustainability of the program.

Read the full Wakely report: *Key Considerations for MassHealth Pharmacy Carve Out*

About MAHP

Representing 13 health plans and 1 behavioral health organization covering nearly 3 million Massachusetts residents, MAHP is dedicated to improving health for all in Massachusetts by promoting high-quality, affordable and equitable health care.