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## Press Release

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### NEW PHOENIX CENTER STUDY FINDS TENNESSEE AUDIT OF PBM PRACTICES REACHES INCORRECT CONCLUSION

*Analysis reveals state auditor misinterpreted data and used flawed methodology to claim  
PBM-affiliated pharmacies receive preferential treatment*

WASHINGTON, D.C. – In a new analysis released today entitled *Are Affiliated Pharmacies Paid More by PBMs? A Review of the Tennessee Audit*, Phoenix Center Chief Economist Dr. George S. Ford demonstrates that a oft-cited Tennessee state audit of Express Scripts, a Pharmacy Benefit Manager (PBM), reached precisely the wrong conclusion about reimbursement practices.

The Tennessee audit, which has been cited in recent Senate hearings as evidence that PBMs systematically favor their affiliated pharmacies with higher reimbursement rates, found that Express Scripts paid its affiliate pharmacies more than non-affiliates for 568 of 2,318 medications studied (24%). However, Dr. Ford’s analysis reveals that the auditor used an incorrect statistical baseline and failed to employ proper methodology for detecting systematic discrimination.

“The auditor’s conclusion is not just wrong – it’s precisely backwards,” says study author Dr. George S. Ford. “Under proper statistical analysis, finding that affiliated pharmacies received higher reimbursements in only 24% of cases actually provides strong evidence that Express Scripts was favoring unaffiliated pharmacies, not its affiliates.”

Dr. Ford’s analysis demonstrates that under equal treatment, affiliated pharmacies would receive higher reimbursements in approximately 50% of cases, not 0% as Tennessee’s auditor assumed. Using the auditor’s own data and applying standard statistical methods used in discrimination law, Dr. Ford shows that the 24% figure falls well outside the confidence interval for equal treatment, indicating systematic favoritism toward unaffiliated pharmacies.

Dr. Ford also identifies several other critical flaws in the Tennessee audit including an incorrect null hypothesis, a failure to control for legitimate business factors, and a lack of statistical rigor required to demonstrate a “pattern or practice” of discrimination as required by Tennessee law.

“When it comes to adding regulations to the already heavily regulated healthcare sector, policymakers should ground decisions in sound empirical evidence rather than industry advocacy and improper analysis,” Dr. Ford concludes. “The pharmacy sector’s challenges deserve thoughtful policy responses, but those responses should be based on evidence rather than assertions.”

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A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 25-04, *Are Affiliated Pharmacies Paid More by PBMs? A Review of the Tennessee Audit*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective25-04Final.pdf>.

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