



STATE OF KANSAS
OFFICE OF THE ATTORNEY GENERAL

DEREK SCHMIDT
ATTORNEY GENERAL

MEMORIAL HALL
120 SW 10TH AVE., 2ND FLOOR
TOPEKA, KS 66612-1597
(785) 296-2215 • FAX (785) 296-6296
WWW.AG.KS.GOV

FOR IMMEDIATE RELEASE
December 6, 2021

Contact: John Milburn
785-296-8495
john.milburn@ag.ks.gov

AG Derek Schmidt recovers nearly \$27.6 million from Centene Corp. over pharmacy benefit management practices in Kansas

TOPEKA – (December 6, 2021) – Kansas Attorney General Derek Schmidt has reached a settlement with Centene Corp. regarding pharmacy benefit management (PBM) practices for the state Medicaid program, resulting in a recovery of nearly \$27.6 million for Kansas taxpayers and a change in the company’s business practices to ensure greater transparency going forward.

The settlement is the result of a years-long investigation into the company’s business practices undertaken by Schmidt’s office after a separate investigation in Ohio revealed PBMs were overbilling that state for their services. In general, Schmidt accused the company of failing to satisfy its obligation to represent the state’s best interests in negotiations with other companies that supply drugs to the state Medicaid program.

“We take seriously our role of protecting Kansas taxpayers and finding and stopping fraud and overpayments in the state Medicaid program,” Schmidt said. “Today’s settlement involving PBM practices is the first of its sort in Kansas, and other investigations continue.”

The attorney general’s office began investigating the business practices of pharmacy benefit managers, like Centene Corp., after the Ohio investigations became public in 2019. The extremely technical nature of data analysis required to detect the misconduct required specialized assistance, so Schmidt’s office retained Liston & Deas, PLLC, in 2020 to review PBM practices in Kansas. The firm was selected after a request for proposal was issued and bids received pursuant to Kansas’ Professional Services Sunshine Act. The investigation revealed failures on the part of Centene to accurately report pharmacy expenditures to state regulators. An opaque reporting system used by Centene made it difficult for the state to determine the nature and appropriateness of certain pharmacy transactions. The settlement covers the period of time between January 1, 2016, and November 12, 2021.

In the settlement, Centene guarantees that it will improve transparency by providing the state with access to all data necessary to track pharmaceutical transactions, from the point of sale

through reimbursement. In addition, Centene will pay the financial costs of the investigation that led to the nearly \$27.6 recovery for Kansas.

Schmidt said the investigation revealed that during the period of time covered by the settlement, Centene failed to accurately report discounts it received from CVS-Caremark on certain retail pharmacy claims. Centene also artificially inflated dispensing-fee amounts reported to state regulators.

Schmidt thanked the Kansas Medicaid program and the Kansas Insurance Department for their assistance in obtaining the settlement announced today.

Schmidt has been active in protecting taxpayers and the integrity of the state Medicaid system by working to preserve the state's authority to hold PBMs accountable. In 2020, the U.S. Supreme Court affirmed state authority to regulate third-party administrators of major public and private health plans. Schmidt's office on behalf of Kansas filed a U.S. Supreme Court brief in support of Arkansas, which had enacted a state law regulating PBMs, arguing that states are not preempted by federal law from taking action.

The 2020 ruling cleared the way for further state oversight in the prescription-drug marketplace.

A copy of today's settlement is available at <https://bit.ly/3y3NyFg>.

###