

March 25, 2025

Representative Ginny Klevorn
Representative Jim Nash
Senator Tou Xiong
Senator Andrew Lang

Erin Campbell, Commissioner
Minnesota Management and Budget

Dear Members of the Minnesota Legislature and Commissioner Campbell,

On March 3, 2025, Minnesota Management and Budget (MMB) provided a report to legislative leaders and the Office of the Legislative Auditor (OLA) in response to *Minnesota Statutes* 2024, 43A.231.¹ That statute required MMB to conduct a reverse auction in 2022 to choose a pharmacy benefit manager. It further required MMB to conduct a study and write a report by March 1, 2025, comparing (1) actual prescription drug costs incurred during the first two years of the contract period with (2) a projection of what prescription drug costs would have been under the previous contract, which had been reached through a regular competitive bidding process.

In subd. 5(c), the same statute required OLA to review the MMB report and “make a determination as to whether the commissioner’s report accurately performs the comparison” required by the statute. This letter provides the results of our determination.

To conduct our assessment, we carefully reviewed the MMB report. We also met with staff from MMB, MMB’s actuarial consultant, and the firm MMB hired to conduct the reverse auction. As part of those meetings, staff from the actuarial consultant provided OLA a detailed walkthrough of the calculations they used to reach the report’s conclusions.

In short, we have no concerns with MMB’s report or its performance in conducting the comparison required by law. Our review of the consultant’s data analysis process indicated a careful attention to detail, appropriate and robust validation checks, and transparency about limitations introduced by incomplete data. MMB and the consultant knowledgeably and forthrightly answered clarifying questions we asked and produced documents and data we requested.

We also agree with MMB’s assessment in its cover letter that the comparison required by the statute does not constitute sufficient evidence to conclude that the reverse auction process resulted in a net savings for the state.

¹ Erin Campbell, Commissioner, Minnesota Management and Budget, letter to Senator Tou Xiong, Senator Andrew Lang, Representative Jim Nash, and Representative Ginny Klevorn, with attached report, *Pharmacy Benefit Manager Reverse Auction Report*, March 3, 2025.

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Our assessment of the *Pharmacy Benefit Manager Reverse Auction Report* was managed by David Kirchner (David.Kirchner@state.mn.us). Please contact him or me with any questions regarding our review. MMB and its actuarial consultant cooperated fully on a very tight timeline with our office's review of their work, and we thank them for their assistance.

Sincerely,

A handwritten signature in black ink that reads "Judy Randall". The signature is written in a cursive, flowing style.

Judy Randall
Legislative Auditor