

Pharmacy Benefit Managers

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GTF GROUP

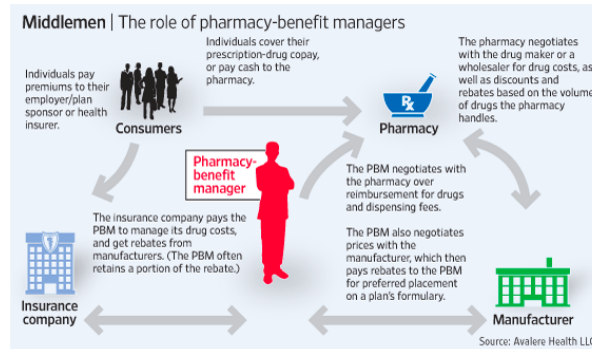
Introduction

- Over the last decade, launch prices for prescription drugs increased by 20%
- US spending on drugs was over \$500 billion in just 2020
- Recently, in 2023, drug costs increased by approximately 5%
- Pharmacy Benefit Managers (PBMs) play a big role in negotiating these drug costs and their price increases



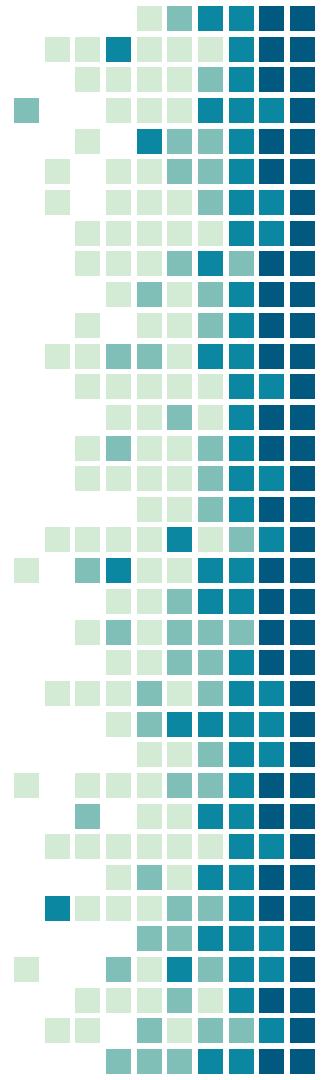
PBMS

- PBMs are third party companies that function as intermediaries between insurance providers and pharmaceutical manufacturers.
- PBMs create and maintain formularies, negotiate rebates (discounts paid by a drug manufacturer to a PBM) with manufacturers, process claims, create pharmacy networks, review drug utilization, and occasionally manage mail-order specialty pharmacies.
- They manage prescription drug benefits for clients ranging from health insurers and Medicare drug plans to large employers, and try to lower out-of-pocket prescription costs for members.
- By negotiating with drug manufacturers and pharmacies to control drug spending, PBMs have a significant behind-the-scenes impact in determining total drug costs for insurers, shaping patients' access to medications, and determining how much pharmacies are paid.



Examples of PBMs

- As of today, there are 66 PBM companies
- CVS Caremark is the number one PBM in terms of market share
- CVS Caremark: 34 percent.
- Express Scripts: 24 percent.
- OptumRx (UnitedHealth): 21 percent.
- Humana Pharmacy Solutions: 8 percent.
- Prime Therapeutics: 6 percent.
- MedImpact Healthcare Systems: 5 percent.
- All other PBMs: 3 percent



Let's Get Vertical: Insurer + PBM + Specialty Pharmacy + Provider



1. Cigna partners with providers via its [Cigna Collaborative Care](#) program. However, Cigna does not directly own healthcare providers.

2. AllianceRx Walgreens Prime is jointly owned by Prime Therapeutics and Walgreens Boots Alliance.

Source: Drug Channels Institute research; [The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers](#), Chapter 5.

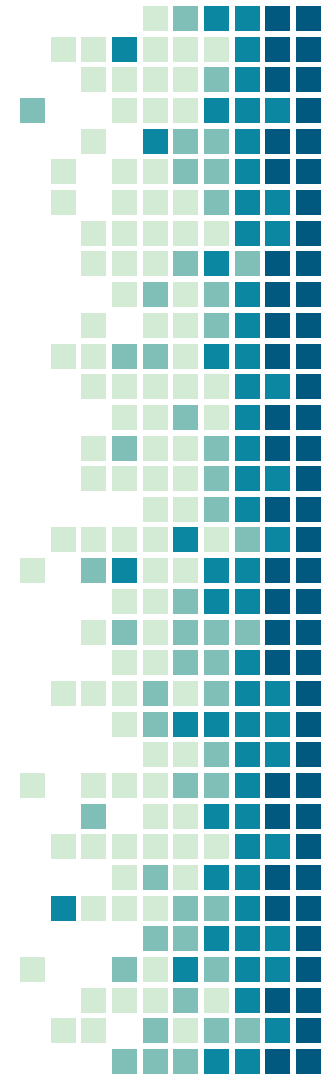
Responsibilities

- Negotiating lower drug costs and rebates with pharmaceutical manufacturers
- Creating and administering retail pharmacy networks
- Developing and maintaining formularies, which are lists of covered drugs
- Providing mail pharmacy — or home delivery — services
- Ensuring clinically appropriate drug use
- Helping members understand the best use of pharmacy benefits

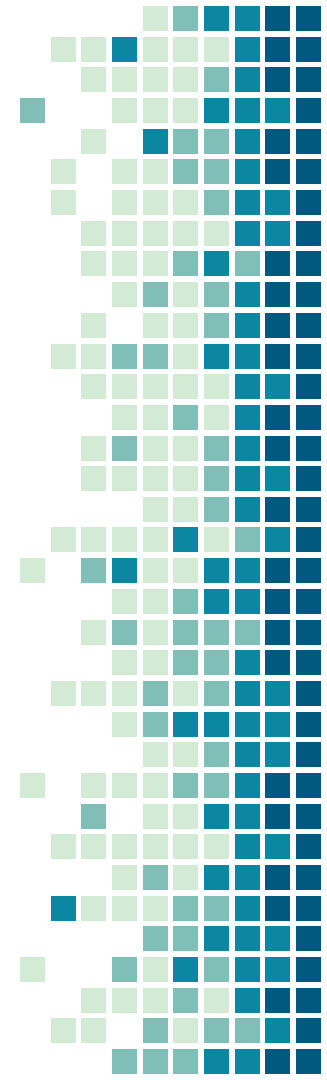
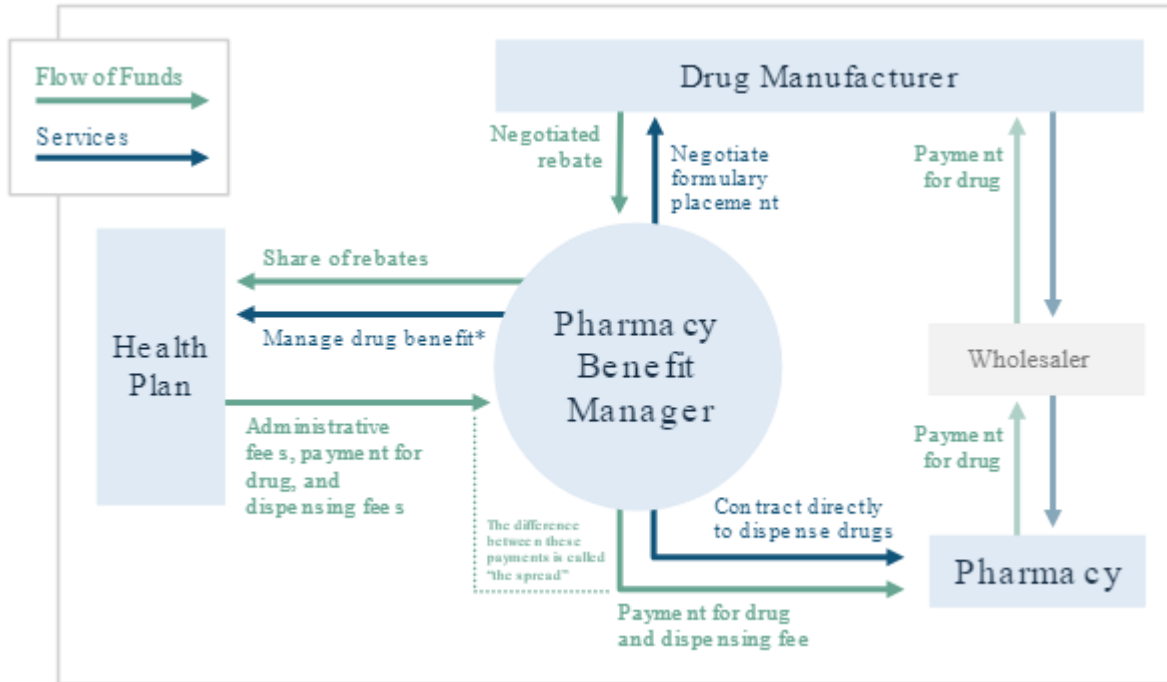


Role in Drug Pricing

- PBMs operate in the middle of the distribution chain for prescription drugs
- Develop and maintain lists, or formularies, of covered medications on behalf of health insurers
- Negotiate rebates and discounts from drug manufacturers
- PBMs receive a larger rebate for expensive drugs than they do for ones that may provide better value at lower cost
- Naturally, they have an incentive to favor high-priced drugs over drugs that are more cost-effective
- People who have a high-deductible plan or have copays based on a drug's list price may incur higher out-of-pocket costs

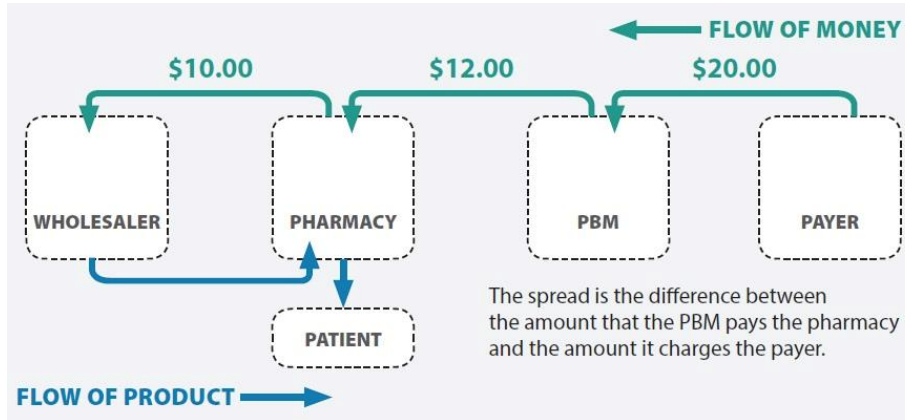


Role in Drug Pricing



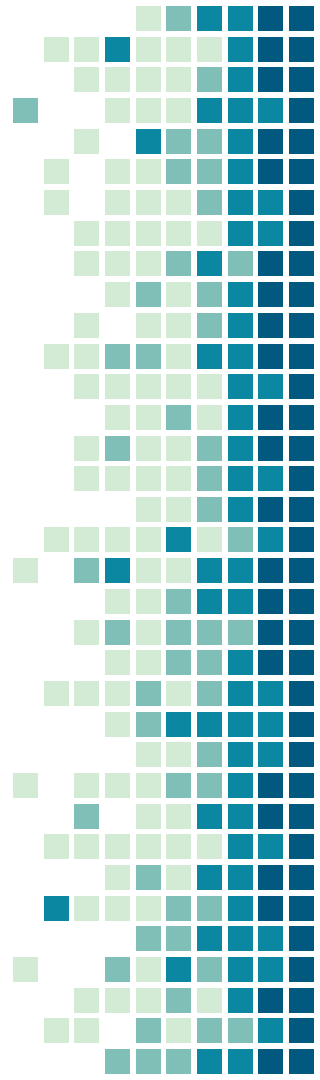
Controversies over rebates

- Drug manufacturers are contending that the increasing rebates they are obliged to pay Pharmacy Benefit Managers (PBMs) compel them to raise the list prices for their products. Recent analyses support this claim, showing a significant increase in manufacturer rebates to PBMs, from \$39.7 billion in 2012 to a staggering \$89.5 billion in 2016. This trend partially counteracts the list price hikes.
- Furthermore, PBMs employ a tactic known as 'spread pricing'. In this practice, PBMs are reimbursed by health plans and employers at a price higher than what they pay pharmacies for generic drugs. The PBMs then pocket the difference. The primary enabler of this practice is a lack of transparency, as PBMs keep the payment schedules they create for pharmacies confidential from health plans.



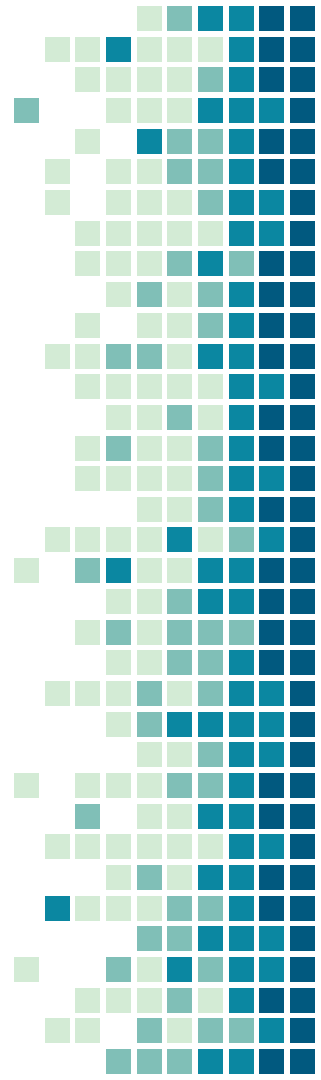
Differences in Insurance Companies and PBMs

- Health insurance pays healthcare professionals, health related bills, and medication costs
- PBMs administer prescription drug benefits
- Some of these PBMs make decisions that may not be applicable to consumers



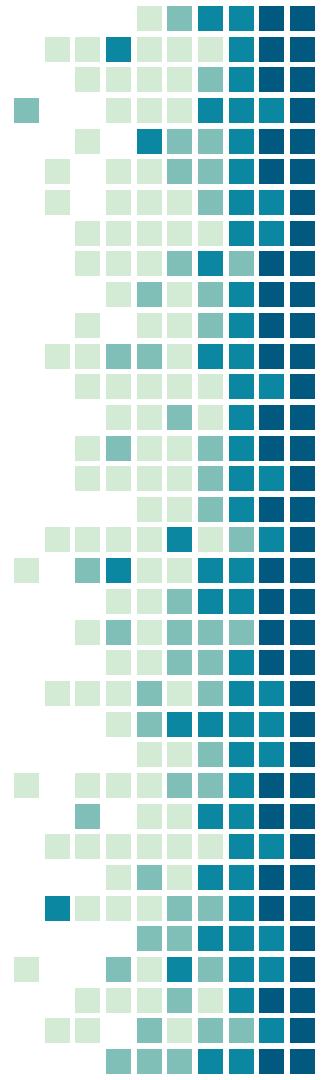
Ongoing reforms – PBM and FTC

- Ban Spread Pricing: Eliminate practices that can lead to unjust profit margins.
- Pass rebates to payers and/or patients to Medicare part D plans. A proposed redirection of a third of savings to consumers could enhance affordability.
- The FTC has the authority to look into and to take measures regarding unfair or false advertising as part of its mission to safeguard customers and advance competition.
- The FTC, already familiar with the PBM sector, could potentially be granted additional authority. Future reforms may encompass enhanced monitoring of PBMs and stricter enforcement of laws related to transparency and equitable pricing.



Patient Choices

- When a PBM makes a choice that is not compatible with a patient's life, patients can form patient advocacy groups
- For example, CVS Caremark made a decision that they will only let patients take Rivaroxaban and ban the use of Apixaban
 - This decision was made without informing the patients
 - Rivaroxaban is excreted through the kidneys while Apixaban isn't
 - Patients with abnormal kidney function are not able to take this medication
 - The President of American Society of Hematology (ASH) wrote to CVS Caremark and told them that this was not a good decision in the interest of the patient's lives
 - A patient advocacy group led by Ms. Beth Waldron fought for this and CVS Caremark reversed their decision



Conclusion

PBMs play a significant role in the healthcare sector, but it is obvious that modifications are required to promote a fair, open, and competitive environment. All parties involved in the implementation of these reforms, including regulators, PBMs, drug makers, insurers, and healthcare providers, will need to continue working together and committing to the project. The ultimate objective is to develop a system that not only meets the commercial requirements of the sector but also, and more importantly, ensures that patients have access to the prescription drugs they require at reasonable costs.



References

The Value of PBMs: PBMs are Committed to Helping Patients

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What is a pharmacy benefit manager and what do they do?

<https://www.medicalnewstoday.com/articles/pharmacy-benefit-manager>

Pharmacy Benefit Manager Transition Information

<https://www.cdc.gov/wtc/pbmtransition.html>

Pharmacy Benefit Managers and Their Role in Drug Spending

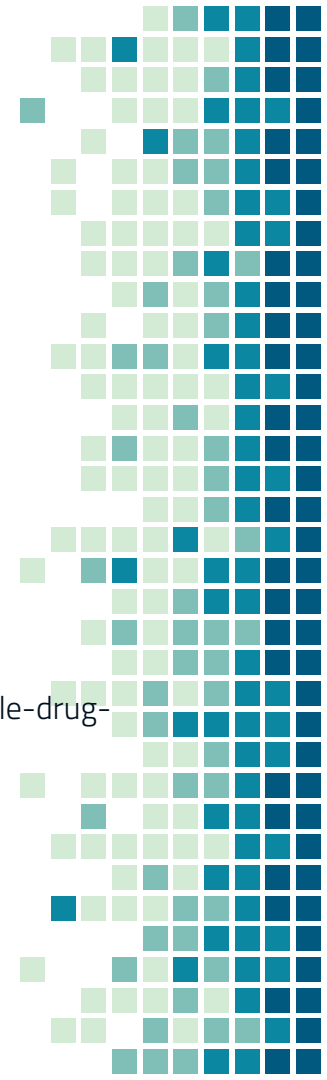
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PHARMACY BENEFIT MANAGERS

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Price Increases for Prescription Drugs, 2016-2022

<https://aspe.hhs.gov/reports/prescription-drug-price-increases>



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