**FEDERAL AND STATE INVESTIGATIONS SHINE THE SPOTLIGHT ON PBMS**

**PBM REVENUES & PROFITS HAVE BEEN INCREASING FOR YEARS. NOW, SCRUTINY IS GROWING TOO**

Pharmacy Benefit Managers (PBMs) play a major role in determining the final cost of prescription drugs, yet many Americans have never heard of these major corporations. PBMs have evolved and adjusted their business practices to derive a growing amount of revenue from several stakeholders within the drug supply chain, including pharmacies and manufacturers. The more leaders investigate the complex and opaque PBM ecosystem, the more problems come to light.

Federal lawmakers and other leaders have also found that PBM practices take advantage of patients across the country:

The Federal Trade Commission launched a probe to scrutinize the impact of the prescription drug middleman industry on patient access and affordability of prescription drugs, requiring the six largest pharmacy benefit managers to provide information and records regarding their business practices. The study intends to shine a light on the vertically integrated industry, its opaque PBM practices and the impact of those complicated practices on patients, doctors, payers and pharmacies.

A Senate Finance Committee Report on insulin found that PBM rebates (discounts they receive from drug manufacturers) are not lowering out-of-pocket costs for insulin. In fact, insulin prices in the U.S. increased 15% to 17% per year between 2012 and 2016 due to PBM practices. Another report found that the net price on one insulin product — what the company earns as revenue — declined by 53% since 2012, but the list price increased by 141%, driven by the misaligned incentives in the system.

The courts have ruled in favor of several states working to rein in PBMs. A federal appeals court upheld a North Dakota law imposing various requirements on PBMs, including a ban on owning patient assistance programs or mail-order specialty pharmacies. The Supreme Court ruling Rutledge v. Pharmaceutical Care Management Association reaffirmed states’ authority to regulate pharmacy reimbursements.
PBMs have also been taking advantage of states, who rely on PBMs to manage their prescription drug programs. Several states have identified major problems – some have taken action:

- **New Jersey** captured $2.5 billion in prescription drug savings by creating a technology-enabled competitive bidding process (a reverse auction) for selecting the state PBM.

- In **Kentucky**, PBMs kept more than $123 million in spread – an increase of nearly 13% in one year alone.

- **Mississippi** reached a $55.5 million settlement agreement after finding a PBM had overcharged the state Medicaid program for pharmacy benefits.

- In just four years, PBM costs in the **Pennsylvania** Medicaid program more than doubled from $1.4 billion to $2.86 million.

- **Maryland** banned spread pricing after finding PBMs pocketed a “spread” of $72 million annually.

- **Maryland** is expected to save more than $130 million in drug costs the next two years for its public sector employees by establishing a competitive PBM market (reverse auction).

- In **Ohio**, PBMs took a spread of more than $240 million in one year – nearly 4 times as much as the previously reported average spread across all drugs.

- **Massachusetts** secured $14 million from a settlement with the PBM that managed state’s Medicaid program for pharmacy services, due to overcharges.

- **Texas** settled a lawsuit for $165 million alleging that the pharmacy benefit manager (PBM) managing Texas Medicaid pharmacy benefits overcharged for prescription drugs.

- **A Florida** state audit found that PBM markups and fees cost the Medicaid an excess of $113 million in 2020 – nearly $90 billion in spread costs.

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**TO LEARN MORE ABOUT STATES THAT HAVE ALREADY TAKEN ACTION AND WHY LEADERS ACROSS THE COUNTRY MUST CONTINUE TO INVESTIGATE THESE ISSUES, VISIT PBMACCOUNTABILITY.ORG.**