PBM
ACCOUNTABILITY
PROJECT

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.

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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.

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

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

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

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.

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

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

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

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.

PBMs are taking advantage of a broken healthcare system to increase their bottom line. That is why it's essential that state policymakers continue examining innovative approaches to lower the out-of-pocket costs of prescription medications. This includes redirecting PBM savings with prescription drug manufacturers to taxpayers, patients, and public and private sector health plans. One of the most promising and successful of these solutions is the "PBM Reverse Auction," which helps transform the opaque and uncompetitive process for setting prescription drug prices into a transparent, dynamically competitive marketplace where PBMs would compete with one another for any given state's business.

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.