



**ANALYSIS OF PBM FINANCIAL REPORTS REVEALS:**

**How an Uncompetitive PBM Market Drives Prescription Drug Inflation & the Kinds of Policies That Can Correct It**



**Exhibit 3: Consolidation of PBMs Continues to Erode Market Competition**

The three largest PBMs account for 77% of U.S. market share, and all three are vertically integrated with major health insurers and affiliated pharmacies. As the industry grows increasingly consolidated and vertically integrated, regulation and monitoring will become even more difficult. Already, PBMs are taking steps to further consolidate.

- **Example:** Between 2019 and 2021, all three of the largest PBMs formed their own rebate aggregators or group purchasing organizations (GPOs) as consolidated contracting entities to handle rebate negotiations on behalf of themselves and other PBMs. Industry experts believe the new GPO entities will introduce additional non-transparent layers of complexity that may enable retention of a larger share of rebates and extraction of additional fees and/or other price concessions.

The new, PBM-created entities, like other aspects of PBM vertical consolidation, face little regulatory scrutiny. Ultimately, they will increase PBM leverage, reduce transparency, support market competition amongst PBMs, and further limit oversight capabilities, especially since two of the three GPOs are based outside of the U.S.

**How Policymakers Can Make Action**

Policy solutions are needed to correct misaligned incentives, reduce excessive complexity in PBM contracting, provide transparency into PBM practices, and regulate the PBM marketplace.

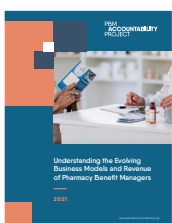
Federal lawmakers should continue to pursue policies that would increase PBM transparency and accountability, including:

- Linking PBM competition from the list price of medications
- Requiring discounts and savings to be shared with plan sponsors and/or patients at the pharmacy counter
- Limiting spread pricing practices within Medicaid
- Increasing disclosure requirements for commercial prescription drug plans

States are already making meaningful progress, including:

- An Arkansas law set standards for how PBMs reimburse their pharmacy networks
- A West Virginia law requires PBMs to pass along savings to patients
- Several states have implemented a PBM reverse auction to help create a transparent review process for selecting competing PBM proposals; learn more about this solution [here](#)

**Plan sponsors, patients and the American health care system need relief from excessive prescription drug costs. Oversight and reform of the PBM marketplace will help.**



To view our new report, “Understanding the Evolving Business Models and Revenue of Pharmacy Benefit Managers,” and to learn more, visit the **PBM Accountability Project website.**