PBM ACCOUNTABILITY PROJECT

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 the drug pricing process, yet many Americans have never heard of these major corporations. Three PBM companies make up nearly 80% of the market and have become so profitable they are among the Fortune 25 companies. The PBM ecosystem is complex and opaque, allowing PBMs to increase their profits and game the drug pricing system by:

Leveraging financial fees and/or rebates from pharmaceutical companies – much of these revenues are not passed through as savings to the purchaser (employer, union, patient, taxpayer).

Creating group purchasing organizations GPOs (2 of the 3 big PBMs' GPOs are located offshore) making it more difficult to audit and regulate PBMs.

Negotiating higher list prices for medicines to obtain higher profits.

Steering patients to more expensive chain drug stores and special pharmacies that PBMs own.

Using a pricing scheme, known as "spread pricing," where PBMs reimburse pharmacists less than they charge Medicaid and private insurance plans.

Using a pricing scheme, known as "claw backs," where PBMs pay independent pharmacies a negotiated price but may take back a percentage of the payment if PBM-set "performance criteria" aren't met.

- And many other tactics...

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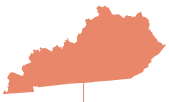
PBM practices take advantage of states, who rely on PBMs to manage their prescription drug programs. Several states have identified major problems – some have taken action:

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.

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.



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**

The courts have ruled in favor of several states working to reign in PBMs. A federal appeals court upheld a North Dakota law imposing various requirements on PBMs, including a ban on PBM ownership of patient assistance programs or mail-order specialty pharmacies. The Supreme Court ruling in Rutledge v. Pharmaceutical Care Management Association reaffirmed states' authority to regulate pharmacy reimbursements.

THE CASE OF LIFE-SAVING INSULIN PRICES

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

A Senate Finance Committee Report on insulin prices found that rebates to PBMs are ultimately not helping patients save on lifesaving medication.

Typically, PBMs base patient cost share on the list price of medicines, rather than the net price after rebates have been discounted. One analysis found that the list price of one insulin product increased by 141 percent despite a 53% decline in net price.

PBMs profit when list prices are higher. But patients do not.

PBMs are taking advantage of a broken healthcare system to increase their bottom line. We're encouraged to see leaders investigating these issues.