HOW PBMs MAKE MONEY

PBM ACCOUNTABILITY PROJECT

The study found that PBM gross profit (defined as revenue minus the cost of goods sold) **increased by 12% in two years, from $25 billion to $28 billion.**

PBMs have successfully grown total revenue, despite reducing their retained manufacturer rebates, by evolving their business practices. For example, PBM gross profit from retained administrative fees paid by manufacturers for services provided by PBMs **increased by 51%, from $3.8 billion to $5.7 billion in the two years.**

Overall, the margin PBMs collect from their mail-orde[illegible] and specialty pharmacies is becoming an increasingly important source of revenue. PBM gross profit from PB[illegible] owned mail-order and specialty pharmacies **increased from $8.9 billion to $10.1 billion.** The largest PBMs, insurers, and specialty pharmacies h[illegible]bined into vertically integrated organization[illegible] expan[illegible] beyond traditional mail-order process[illegible] of routine m[illegible]tenance drugs to the management [illegible]ome of the mo[illegible] complex and expensive drug the[illegible] currently on [illegible] market. These relationships have bl[illegible] the line[illegible] and client, leading to an overa[illegible] in transparency and increasing barriers to compe[illegible]

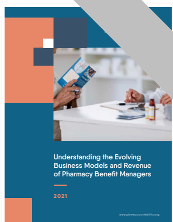
PBM gro[illegible]ofit from "o[illegible]ources" **i[illegible]sed by nearly 26% [illegible] $8.5 billion in [illegible] to $10.7[illegible]on in 2019.**

Although "other sou[illegible] – which i[illegible]e spread pricing, pharmacy fees a[illegible] clawbacks, fees c[illegible]ted from payers, and o[illegible] non-administrative fee[illegible]llected from manufactu[illegible] – constitute nearly 40% of a[illegible] gross profit, a[illegible]sis of the publicly available financia[illegible]a sheds little [illegible] on how much [illegible]ss profit is derived from the spec[illegible] component[illegible]

A number [illegible] factors enable PBMs to increase their gross profit a[illegible] expense of other prescription drug stakeholders. Th[illegible]nclude:

- [illegible]gnment of ince[illegible]s
- Exc[illegible]g complexity
- L[illegible] of tra[illegible]cy and oversight

[illegible]s PBMs' revenue sources continue to evolve, [illegible]eaningful reforms are needed. These findings [illegible]ghlight the need for consideration of new approaches [illegible]ealigning PBM incentive structures as part of p[illegible]scription drug policy discussions. These should include limiting spread pricing within Medicaid, establishing disclosure requirements for commercial plans, requiring rebates and discounts to be shared with plans and patients at the pharmacy counter, delinking PBM compensation from the list price of medicines, and ensuring patient choice of pharmacies.



[illegible]o view [illegible]ew report, "Understanding the Evolving Business Models and Revenue [illegible] Pha[illegible]cy Benefit Managers," and to learn more, visit the PBM Accountability Pr[illegible] website.

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