



## Finding the Formula for Drug Savings

### The Role of Pharmacy Benefit Managers in the Health Care System

April Alexander, PCMA  
Michigan House Health Policy Committee  
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### What Is a PBM?

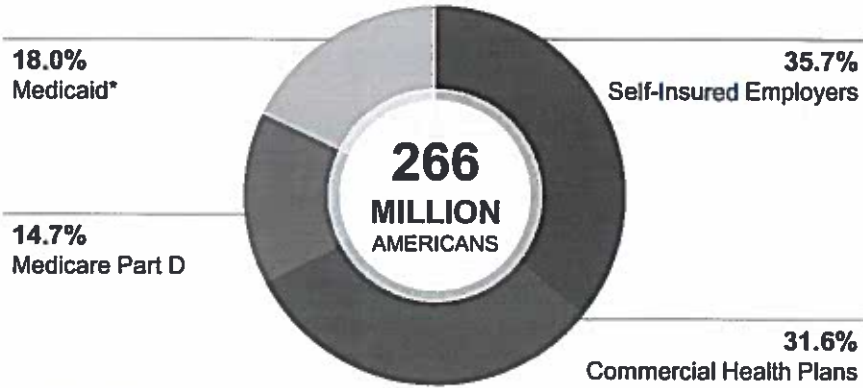
- A pharmacy benefits manager (PBM) is a health care company that contracts with insurers, employers, and government programs to administer the prescription drug portion of the health care benefit
- PBMs work with insurers and employers to perform a variety of services to ensure high-quality, cost efficient delivery of prescription drugs to consumers
- PBMs aggregate the buying clout of millions of enrollees, enabling plan sponsors and individuals to obtain lower costs for prescription drugs.



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## PBMs' National Footprint

More than 266 million Americans receive pharmacy benefits provided through PBMs



\*Excludes Medicare-Medicaid Dual Eligibles where drugs are covered by Medicare Part D  
Source: Vianto estimates prepared for PCMA, 2016



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## Pharmacy Benefit Management Services



Claims Processing



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers and Drugstores



Formulary Management



Pharmacy Networks



Mail-service Pharmacy



Specialty Pharmacy



Drug Utilization Review



Disease Management and Adherence Initiatives



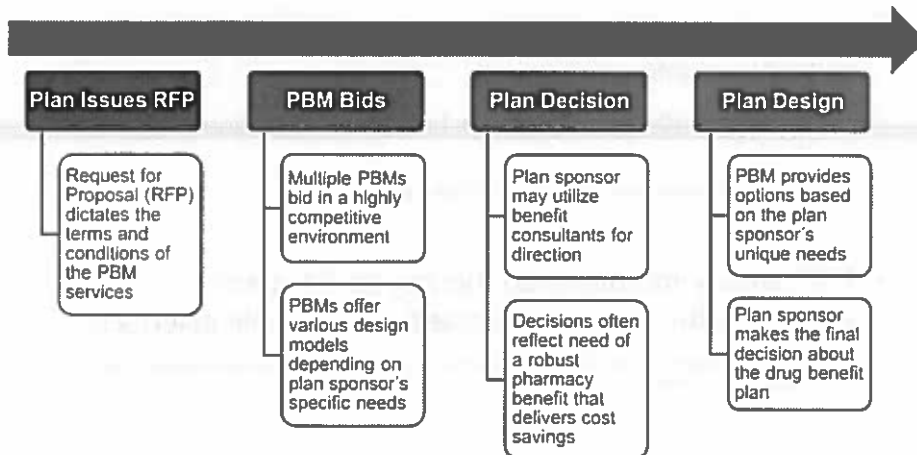
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## Who Are PBM Clients?



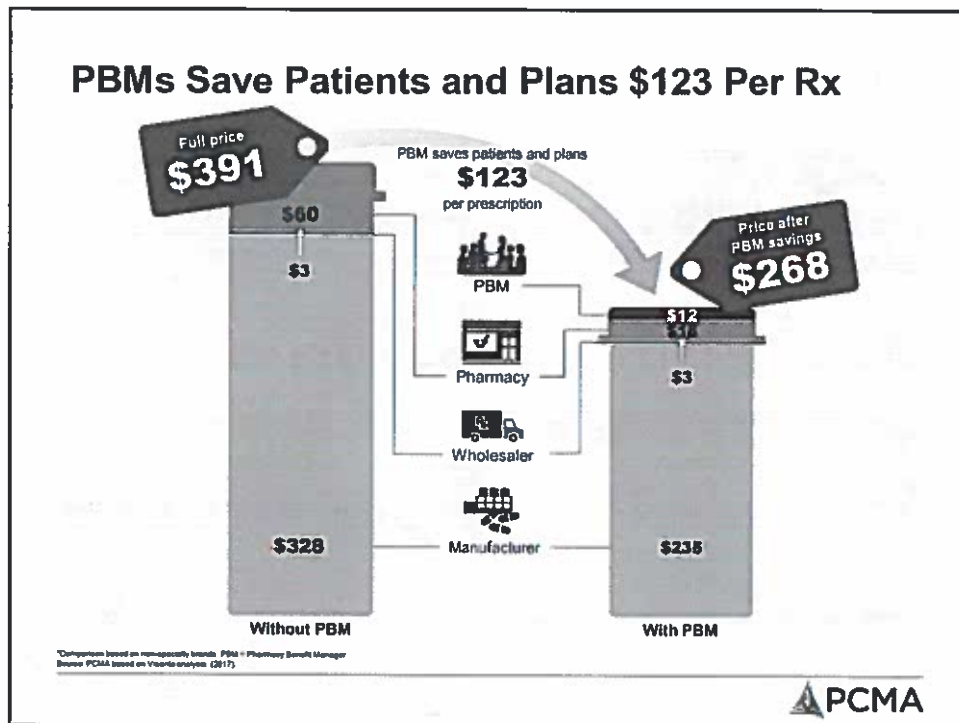
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## The Plan Sponsor RFP Process



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## PBM Save Patients and Plans \$123 Per Rx



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## PBMs Improve Quality and Adherence

- PBMs help reduce medication errors through use of drug utilization review programs.

- Over next 10 years, PBMs will help prevent 1 billion medication errors.

*(Visante estimates based on IMS Health data and DUR program studies).*

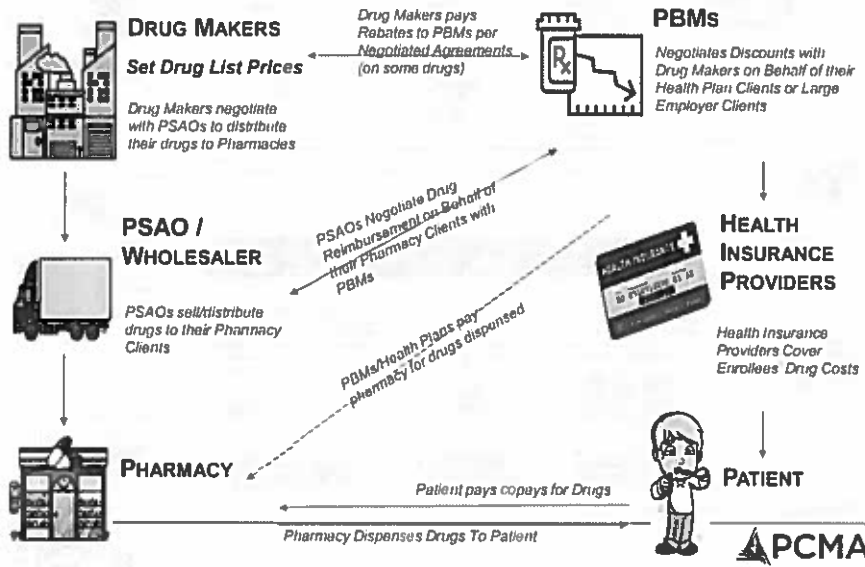
- PBMs help improve drug therapy and patient adherence, notably in the areas of diabetes and multiple sclerosis.

*(Visante estimates based on CDC National Diabetes Statistics Report 2014 and studies demonstrating improved adherence by 10+%).*

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## Drug Supply Chain



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## Drug Wholesalers Own 3 Largest PSAOs

- Over 80% of independent pharmacies belong to pharmacy services administrative organizations (PSAOs), which provide a range of services, including: negotiating third-party payer contracts, providing access to pooled purchasing power/inventory, and back-office functions.
- PSAOs give independent pharmacies significant bargaining clout in negotiations with payers.

Pharmacy Franchise and Marketing Programs, 2016

PROGRAM	Health Mart	Good Neighbor Pharmacy	Medicine Shoppe/Medicap	CARE Pharmacies	Sav-Mor Drugstores	Benzer Pharmacy
Ownership	McKeesson	AmerisourceBergen	Cardinal Health	Independent	Independent	Independent
# of Participating Pharmacies	4,800	2,800	515	82	65	71
2016 Prescription Revenues (billions)	\$10.2	\$7.3	\$1.9	\$0.7	\$0.03	\$0.02

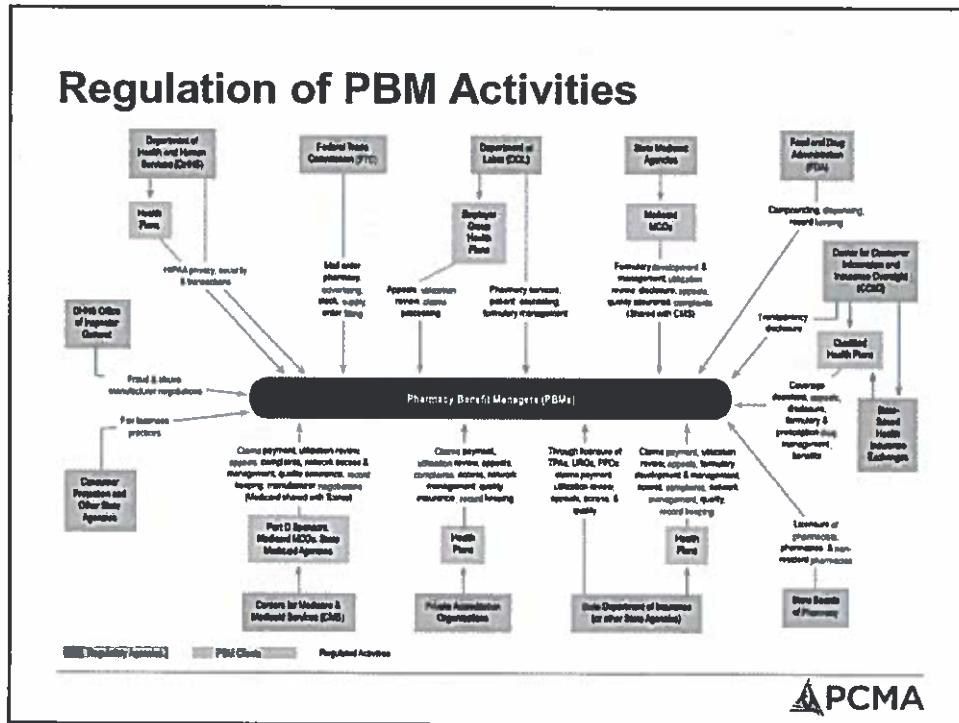
Source: Drug Channels Institute estimates, company reports, Drug Store News.

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## Regulation of PBM Activities



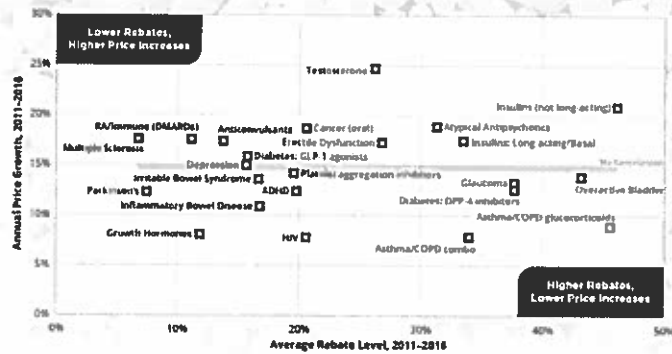
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## Tackling High Drug Costs

- Patient cost-sharing often represents only a small fraction of the total cost of the drug.
- Brand drug manufacturers establish prices within a monopoly established by federal patent law.
- Until other drugs are approved for the same disease or condition, manufacturers have little incentive to reduce their prices.
- **Health plans and PBMs do not have any control over the price the manufacturer sets for a drug — but PBMs have some tools to drive down drug costs.**

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## Myth vs. Fact: Rebates Study of top drugs shows no correlation



### Major Findings:

- ❑ No correlation between drug prices and PBM/payer rebates
- ❑ Cases exist of higher-than-average price increases with relatively low rebates
- ❑ Cases exist of lower-than-average price increases with relatively high rebates
- ❑ Drugmakers are increasing prices regardless of rebate levels

Study: Top 200-self-administered, patent-protected, brand-name drugs in 23 major drug categories examined.

Source: VISA. An Correlation Between Primary Drug Prices and Manufacturer Rebates in Major Drug Categories (April 2017)

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## Conclusion

- Drug list prices for both brands and generics are going up.
- PBMs play a unique and central role in **driving adherence, holding down costs, and increasing quality.**
- PBM tools **deliver savings** for plan sponsors and consumers, underscoring the success of the competitive marketplace.



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