



The Value & Innovation Forum Briefing - PBMs 101

Michael Baxter, Head of Government Affairs

Virtual Webinar
June 15 4:00pm-5:00pm EST

U.S. drug prices are...



Hidden



Set by private deals –
inefficient market



Prone to
manipulation

PBMs were meant to be a force for good, but...

As PBMs worked to control one end of the drug supply chain, they began to develop business interests in the very marketplace that they were hired to control.

Today, PBMs advertise that they are the only entity working to control prescription drug costs, but data shows that PBM profits generated off prescription drug transactions heavily distorts their incentives to control drug spending for their clients.

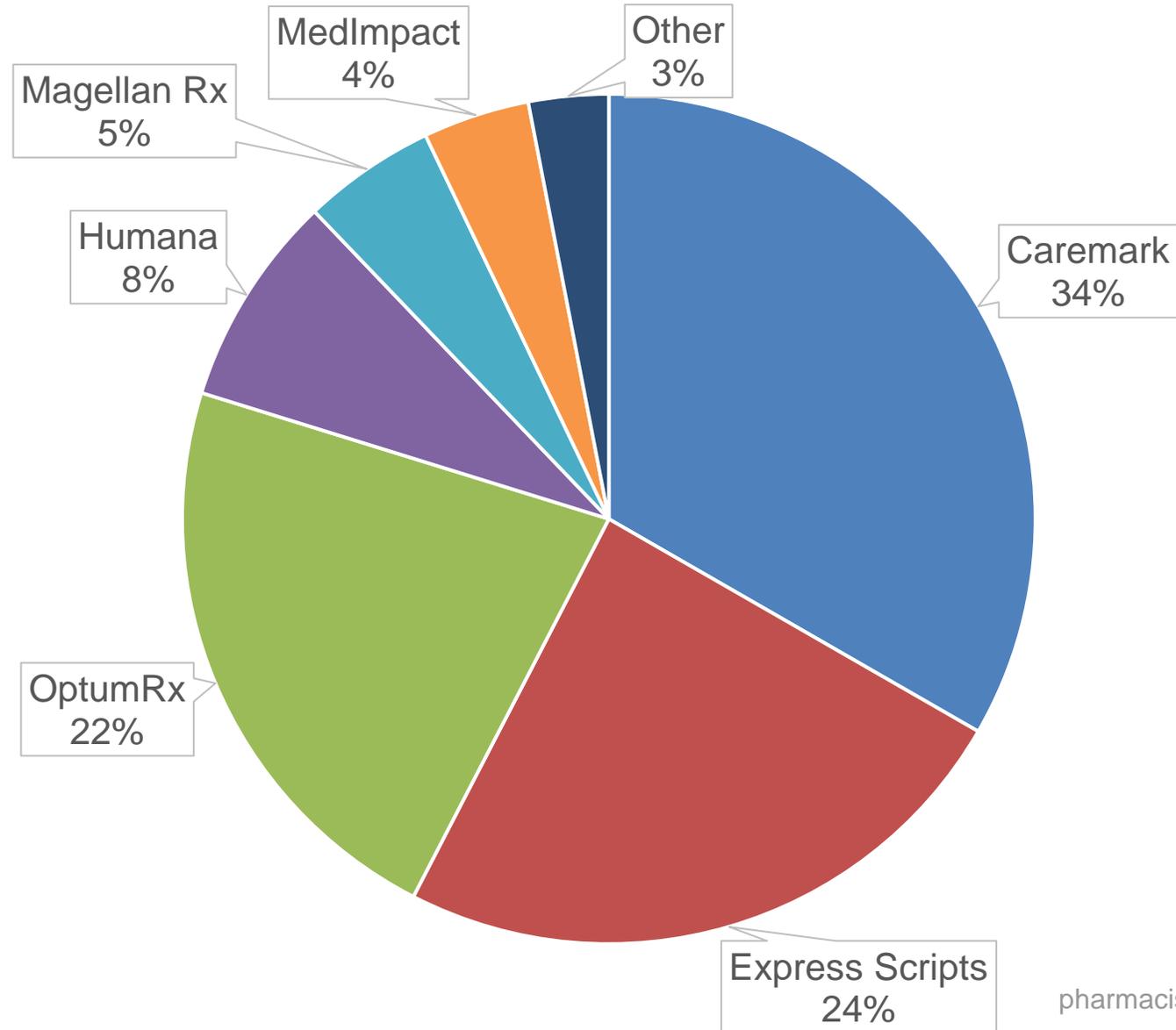


Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2023



1. Since 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx Walgreens Pharmacy for mail/specialty pharmacy services. In Dec. 2021, Walgreens purchased Prime Therapeutics' 45% ownership interest, so this business had no PBM ownership as of 2022. Effective June 2022, the company was rebranded as AllianceRx Walgreens Pharmacy.
 2. Centene has announced that it would outsource its PBM operations to Express Scripts in 2024. In 2023, Centene rebranded its pharmacy benefit subsidiary as Centene Pharmacy Services.
 3. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.
 4. Since 2020, Prime has sourced formulary rebates via Ascent Health Services. In 2021, Humana began sourcing formulary rebates via Ascent Health Services for its commercial plans.

Market Share



APhA 2023 SURVEY OF PHARMACISTS: Quantifying the impact of Pharmacy Benefit Manager (PBM) practices

Topline Results:

91.5% of respondents

strongly agreed/agreed that PBM practices are negatively affecting their practice and their ability to provide patient care.

Patient Steering: 93.3%

of the respondents agreed that patient steering practices impact their pharmacy and the patient care they provide.

“Clawback” Fees: 88.5%

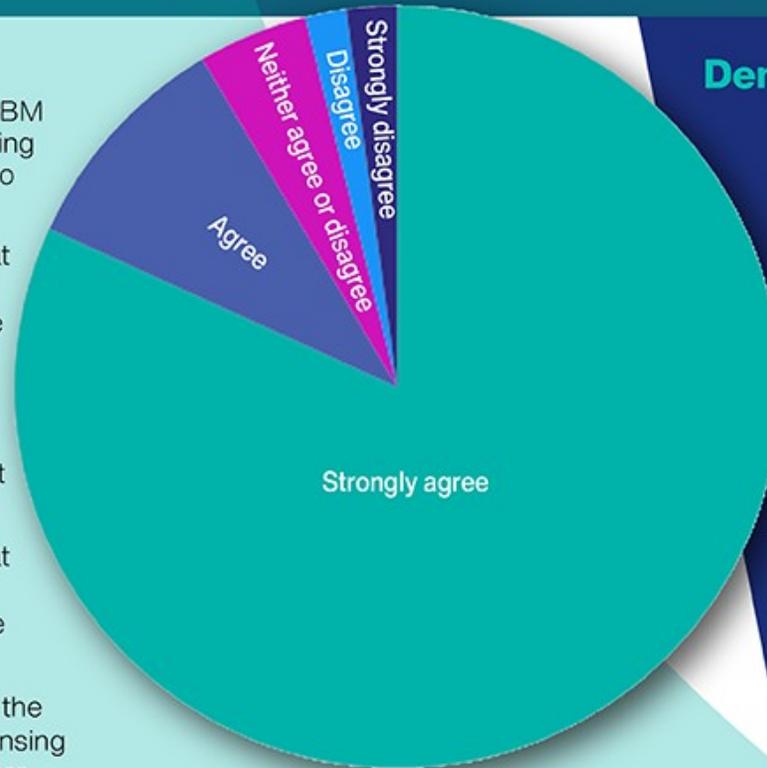
of the respondents agreed that “clawback” fees impact their pharmacy and the patient care they provide.

Spread Pricing: 82%

of the respondents agreed that spread pricing impacts their pharmacy and the patient care they provide.

**Ingredient Cost/
Dispensing Fees: 75%**

of pharmacists disagreed that the current ingredient costs/dispensing fees they receive from PBMs are sufficient to sustain their pharmacy business.



Methodology can be found at www.pharmacist.com

Demographic Information 547 respondents representing:



All pharmacy practice areas



All regions of the US



Diverse graduation year from pharmacy school

An example of the problem: Medicare Part D

- Between 2010 and 2020 the Centers for Medicaid and Medicaid Services (CMS) reports that pharmacy direct and indirect remuneration (DIR) fees increased by more than 107,400 percent! That's not a typo.
- CMS found that "actual Part D program experience has not matched expectations" "*less than 1 percent of plans have passed through any price concessions*" and "the amount passed through is less than 1 percent of the total price concessions those plans receive."
- The Medicare Payment Advisory Commission's (Medpac) March 2023 report found that pharmacy DIR payments to PBMs in Medicare Part D were an astounding \$12.6 billion for 2021—which represents a \$3.1 billion (+33%) increase from the 2020 figure of \$9.5 billion.



Value & Access Collaboration Submits Comments to FTC on PBM Business Practices

Posted on 05.04.22

Members of the Value & Access Collaboration representing the following organizations:

National Forum for Heart Disease & Stroke Prevention (convener)
American Association of Heart Failure Nurses
American College of Cardiology
American Pharmacists Association Foundation
American Society for Preventive Cardiology
Association of Black Cardiologists
Association of State and Territorial Health Officials
BallengeRx Consulting
Family Heart Foundation
Global Healthy Living Foundation
Independent Health
Institute for Patient Access
Mended Hearts
National Alliance of Healthcare Purchaser Coalitions
National Association of Community Health Workers
National Lipid Association
Partnership to Advance Cardiovascular Health
Partnership to Improve Patient Care
Preventive Cardiovascular Nurses Association
University of Michigan Center for Value-Based Insurance Design
WomenHeart

Stroke Prevention, responded to the Federal
d pharmacy benefits managers' (PBMs') business

- **In a fully transparent model when a PBM functions as a fiduciary the drive is to achieve lowest net cost for the overall pharmacy spend – not to maximize the multiple sources or revenue of which rebates may be the largest.**

PBM 101 on Capitol Hill



Read APhA member @RyanOftebro testimony @commercedems on bringing transparency and accountability to #PBMs @WSPARX

<https://www.pharmacist.com/DNNGlobalStorageRedirector.ashx?egsfid=exgxPw5rMjY%3d>



PBM Reform: Legislation

House

Drug Price Transparency in Medicaid Act (H.R. 1613)

- Prohibits spread pricing in Medicaid Managed Care and moves to a market-based reimbursement model

Senate

Pharmacy Benefit Manager Transparency Act (S. 127)

- Prohibits PBMs from engaging in spread pricing and clawbacks
- Protects stronger state PBM laws

Pharmacy Benefit Manager Reform Act (S. 1339)

- Prohibits PBM spread pricing for employers/health plans
- Requires PBMs to pass rebates onto plans/employers
- Does not protect stronger state PBM laws

Finance Committee PBM Reform Framework (bill coming)

- Delinking PBM compensation from drug prices
- Ensuring discounts negotiated by PBMs produce meaningful savings for seniors
- Modernizing Medicare's "Any Willing Pharmacy" requirements to improve options and access for seniors
- Increasing transparency



February 1, 2023

The Honorable Maria Cantwell
511 Hart Senate Office Building
Washington, DC 20510

The Honorable Charles Grassley
135 Hart Senate Office Building
Washington, DC 20510

Dear Chair Cantwell and Senator Grassley,

The American Pharmacists Association (APhA) writes to offer our support for the *Pharmacy Benefit Manager Transparency Act (S. 127)*. We thank you for your ongoing leadership to increase drug pricing transparency and hold pharmacy benefit managers (PBMs) accountable.

APhA is the only organization advancing the entire pharmacy profession. Our expert staff, and strong volunteer leadership, including many experienced pharmacists, allow us to deliver vital leadership to help pharmacists, pharmaceutical scientists, student pharmacists and pharmacy technicians find success and satisfaction in their work, while advocating for changes that benefit them, their patients, and their communities.

Our organization has long had policy supporting the pharmaceutical industry's adoption of a "transparent pricing" system which would eliminate hidden discounts, free goods, and other subtle economic devices,¹ like rebates between manufacturers and PBMs.



Ron Wyden  @RonWyden · Apr 20

This is big: For years, drug pricing middlemen like pharmacy benefit managers have been driving up the cost of prescription drugs. Today, [@MikeCrapo](#) and I are releasing our bipartisan plan to hold PBMs accountable and deliver relief to Americans at the pharmacy counter.

 21

 66

 157

 6,961



PBM Reform – What is Needed

- **Transparency:** APhA supports transparency and accountability in reimbursement and pricing to ensure consistent practices throughout the drug supply chain.
- **Sustainability:** APhA supports pricing models that allow for the fair reimbursement of drug products and dispensing fees that can support a sustainable business model within community pharmacies.
- **Accountability:** APhA encourages appropriate oversight from state and federal agencies to prohibit pricing manipulations and anticompetitive practices that harm patient access to their medications and their pharmacist.

