



Pharmacy Benefit Managers

How PBMs improve quality and
lower the cost of care

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The Value of PBMs



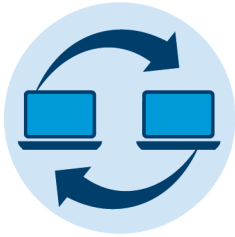
PBMs aggregate the buying clout of millions of enrollees, enabling plan sponsors and individuals to obtain lower prices for their prescription drugs.

What Role Does a PBM Serve?

- Pharmacy benefit managers (PBMs) negotiate on behalf of plan sponsors and administer the outpatient prescription drug portion of the health care benefit
- The ONLY entity in the drug supply chain responsible for putting downward pressure on the rising price of prescription drugs
- PBMs aggregate the buying clout of millions of enrollees, enabling plan sponsors and individuals to obtain lower costs for prescription drugs. PBMs are expected to save \$654B in 10 years nationally.¹

¹ Visante, Generating Savings for Plan Sponsors, Feb. 2016, available at: - <https://www.pcmagnet.org/wp-content/uploads/2016/08/visante-pbm-savings-feb-2016.pdf>

Pharmacy Benefit Management Services



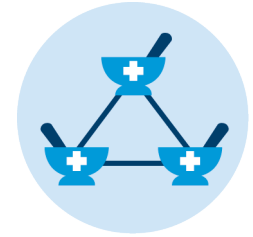
Claims Processing



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

Who Are PBM Clients?



Why Do Plans Hire PBMs?

- PBMs help save plans 40-50% over unmanaged benefit, increase adherence.¹
- Reduce medication errors through use of drug utilization review programs.
 - Over next 10 years, PBMs will help prevent 1 billion medication errors.²
 - Improve drug therapy and patient adherence, notably in the areas of diabetes and multiple sclerosis.³
- Manage programs to address opioid use issues.

1 Visante, Return on Investment on PBM Services, Nov. 2016.

2 Visante estimates based on IMS Health data and DUR programs studies.

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

How PBMs Drive Savings & Quality: Drug Manufacturers

- **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
- 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

How PBMs Drive Savings & Quality: Pharmacy Networks

- Plans need a broad variety of pharmacies for adequate networks, and expect pharmacies to compete on both price and quality.
- PBMs:
 - Contract with a variety of pharmacies (typically through PSAOs) to ensure a robust network for health plan enrollees to access.
 - Efficiently process claims, provide real-time reimbursement information and timely payment.
 - Audit pharmacies for fraud, waste and abuse.

Independent Pharmacies & PSAOs

- 80% of independent pharmacies in the U.S. are represented by Pharmacy Services Administrative Organizations (PSAOs).
- PSAOs pool purchasing power of many pharmacies to leverage strength and contracting strategies with payers.
- PSAOs negotiate & enter into contracts with payers on behalf of independent pharmacies, including reimbursement rates, payment term, and audit terms.
- PSAOs also provide inventory and back-office functions to pharmacies.
- The largest PSAOs are owned by the three major drug wholesalers.
- **PBMs have no insight into private contract terms between PSAOs and pharmacies.**
- Independent pharmacies are doing well & national numbers have been flat or trending up since 2010 – 37% of all pharmacies in US are small, independent pharmacies.¹

¹ Quest Analytics of NCPDP Data, Jan. 2019.

PBM – Plan Contracts

- PBMs offer various design models depending on a plan's specific needs:
 - Plans choose how to compensate PBMs: traditional/spread, pass-through/fees, rebate share.
 - Performance guarantees and audit rights protect plans and ensure transparency.
 - On average, more than **90%** of rebates negotiated by PBMs are passed through to plan sponsors.¹
- The plan sponsor always has the final say when creating a drug benefit plan.
- Things not determined by a PBM: benefit design, cost sharing levels, deductibles, etc.

Conclusion

- PBMs have developed as a way to streamline access to prescription drug benefits and help put downward pressure on net cost.
- There are significant cost pressures through high pharmaceutical list prices, for both brands and generics.
- PBMs harness competition in the manufacturer and pharmacy markets when competition exists, aiming for both affordability and quality.
- While no plan is required to use a PBM, most do, because PBMs play a central role in **driving adherence, holding down costs, and increasing quality.**



Thank You