

A Unique Approach: Transparent PBMs

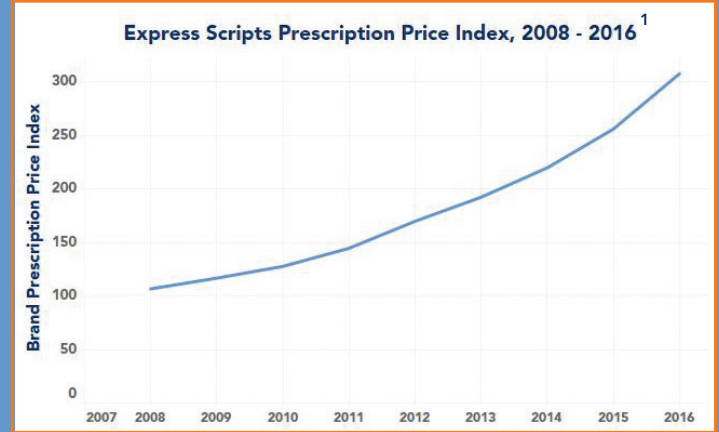


ACHP member health plans run **fully transparent, fee-based PBMs** that keep drug costs in check.

Drug prices continue to soar, increasing costs across the health care system.

Drug companies bear responsibility for the prices they set.

However, policymakers have also examined the role PBMs play in the cost of prescription drugs.



PBMs work on behalf of health plans to negotiate with drug makers for lower prices.



PBMs have been criticized for a **lack of transparency** about how much of a rebate they keep, an approach that can **encourage the use of higher cost drugs**. In February 2019, HHS published a proposed rule that would prohibit the use of rebates in Medicare and Medicaid.

The current blame game assumes all PBMs and all rebates are bad.

But not all PBMs are the same.

Transparent PBMs are an alternative business model that passes through rebates on behalf of consumers.

1. "Express Scripts Prescription Price Index," Hosted on Peterson-Kaiser Health System Tracker, <http://bit.ly/2UcHkSF>

	Traditional Model	Pass-Through Model
Drug Cost Invoiced to Client	\$95*	\$95
Drug Cost Paid to Pharmacy	\$95	\$95
Administrative Fee	\$0	\$2
Member Copay	\$5	\$5
Rebate	\$50 (0-100% passed on)	\$50 (100% passed on)
Total Revenue PBM Collects	\$0 to \$50**	\$2

*Other PBM models often include a mark-up on the cost of the drug invoiced to clients

** Based on rebates retained, plus any additional mark-ups

Pass-Through Models differ from traditional PBMs. They:

- Pass on **100% of rebates and discounts** because their revenue source is a flat, administrative fee.
- Typically **provide full transparency** so plans can verify the savings.
- Achieves **accountability and lower costs** for consumers and plans.



- Clients saved 17-30 percent in their first year with an average of 15% across five years.
- Patients saved an average of \$62.35 PMPM over five years — 12.6% lower than the industry average.



- Nationwide savings up to 30% in just one year.
- In one example, an employer group saved over \$300,000 and PEPM was reduced from \$169 to \$69.



- In 2018, SelectHealth PBM was able to reduce claim costs (PMPM) for an employer client by nearly 20% compared to a traditional competitor PBM in the marketplace.
- Study from USC Center for Health Policy and Economics found that insurance copays for prescriptions are higher than the cost of the drug 25 percent of the time. SelectHealth PBM will not collect copays higher than the negotiated cost of the drug.