

PBMS ARE CLEAR AS MUD

The Value of a Fee-Based, Transparent Model

Transparency in the drug supply chain is desperately needed to deliver consumers the lowest cost and highest value prescription drugs. Pharmacy benefit managers (PBM) play an important role in the supply chain, negotiating prices with manufacturers, managing formularies for health plans and processing claims. Traditional PBMs leverage the complexity of the drug supply chain for profit, putting the interests of the consumer second. Contrary to traditional PBMs, fee-based, transparent PBMs operate differently, offering health plans predictability in administrative costs and visibility into rebates.

Misaligned incentives within the current drug supply chain – including drug makers, wholesalers, pharmacies and PBMs – lead to inflated costs for patients and purchasers.



Brokers, often compensated by PBMs, are financially motivated to steer health plans toward a traditional PBM model, placing the plan and their consumers at a disadvantage with limited options and incomplete information. Shining light on PBM payments to brokers levels the playing field, increases competition and provides health plans and their consumers with more choices.

PBMs utilize group purchasing organizations and rebate aggregators to deflect scrutiny. Health care companies contracting with traditional PBMs have limited or no visibility on the net price a plan pays for a drug versus the wholesale acquisition cost the PBM pays for the same drug. This convoluted roller coaster of inflated prices, followed by mysterious rebates, increases costs for patients and taxpayers. Fee-based, transparent PBMs operate differently, providing health plans with transparency and predictability in spending.

The current, opaque, traditional PBM has fueled distrust amongst policymakers, health plans and consumers alike. Fortunately, there are other approaches to pharmacy benefit management. To increase competition and ultimately drive down drug bills, Congress should advance PBM transparency and reporting requirements that:

1. **Require PBMs to report monetary amounts paid – directly or indirectly – in fees, rebates or other compensation to brokers and consultants.**
2. **Subject PBM subsidiaries, affiliates or subcontractors, including group purchasing organizations and rebate aggregators to the same transparency requirements as the PBMs themselves.**
3. **Require PBMs to disclose the acquisition cost of drugs and any additional dollars received via the PBM structure.**

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A REFRESH: FEE-BASED, TRANSPARENT PBMS

Not all PBMs are created equal. Fee-based, transparent PBMs offer a stark contrast to traditional PBMs, offering visibility to health plans and lower costs to patients and taxpayers. ACHP member companies have a proven track record of partnering with or building fee-based, transparent PBMs.



In 2022, new clients saved an average of 12.1% in their first year with Navitus.

Navitus clients have experienced savings of up to \$75 PMPM over 5 years.



For one client, Scripius' first-year savings guarantee reduced costs by 20%. Whether by rebates, clinical programs, or alternative distribution channels, Scripius seeks lowest-net-cost management. A member-focused approach also means Scripius will never collect copays that exceed negotiated drug cost.



In one example, PBD's targeted approach to cost containment helped a new employer group realize 18 percent in cost savings compared to the year before.

In another example, PBD significantly reduced a group's PMPM costs from \$70.50 to \$44.17.

The fee-based, transparent PBM business model:

- ▶ Passes rebates and discounts back to purchasers. The PBM charges a flat administrative fee.
- ▶ Delivers transparency to the health plan throughout the entire drug supply chain.
- ▶ Achieves accountability and lower costs for patients and taxpayers.

THE BENEFITS OF TRANSPARENCY

Because of the current reliance on rebates, health care companies contracting with traditional PBMs have difficulty following the dollar and verifying savings. The unpredictability proves difficult for savings to be passed along to consumers. Imposing transparency requirements on PBMs will provide consumers, purchasers and health plans the information they need to access more affordable medications.



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