



PBM Marketplace Issues and Patient Impacts

Rachel Cottle Latham

PhRMA

Vermont House Committee on Health Care

February 15, 2024

The Influence Pharmacy Benefit Managers (PBMs) Have Over Patient Access and Affordability Continues to Grow

Negotiating power is increasingly concentrated among a small number of PBMs.

Insurers & PBMs determine:

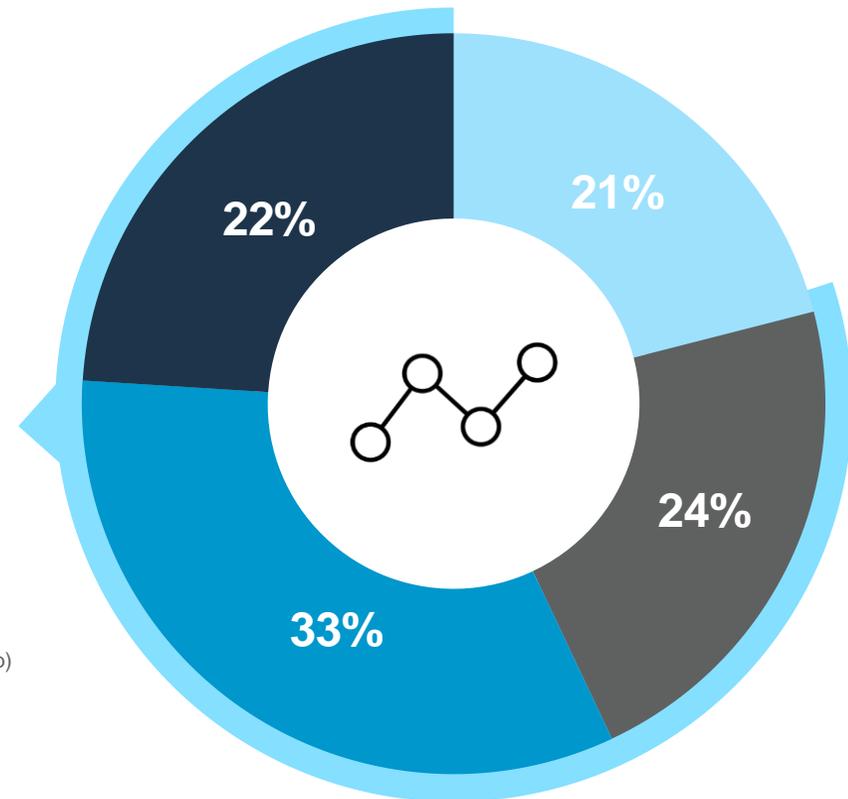
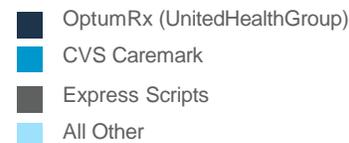
IF MEDICINE IS COVERED
on the formulary

PATIENT OUT-OF-POCKET COST
based on tier placement

ACCESS BARRIERS
like prior authorization or fail first

PROVIDER INCENTIVES
through preferred treatment guidelines and pathways

Top 3 PBMs' Market Share:
79%



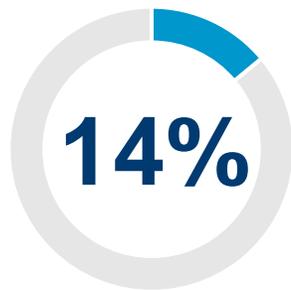
A Snapshot of PBM Market Consolidation



1. Cigna also partners with providers via its Cigna Collaborative Care program.
 2. Since January 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx/Walgreens Prime for mail and specialty pharmacy services. In December 2021, Walgreens Boots Alliance purchased Prime Therapeutics' 45% ownership in AllianceRx/Walgreens Prime.
 3. In 2021, Centene has announced its intention to consolidate all PBM operations onto a single platform and outsource its PBM operations to an external company.
 4. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.
 5. Since 2020, Prime has sourced formulary rebates via Accent Health Services. In 2021, Humana began sourcing formulary rebates via Accent Health Services for its commercial plans.
 Source: Drug Channels Institute research

Spending on Medicines Is a Small and Stable Share of Total Health Care Spending

Prescription medicines account for just

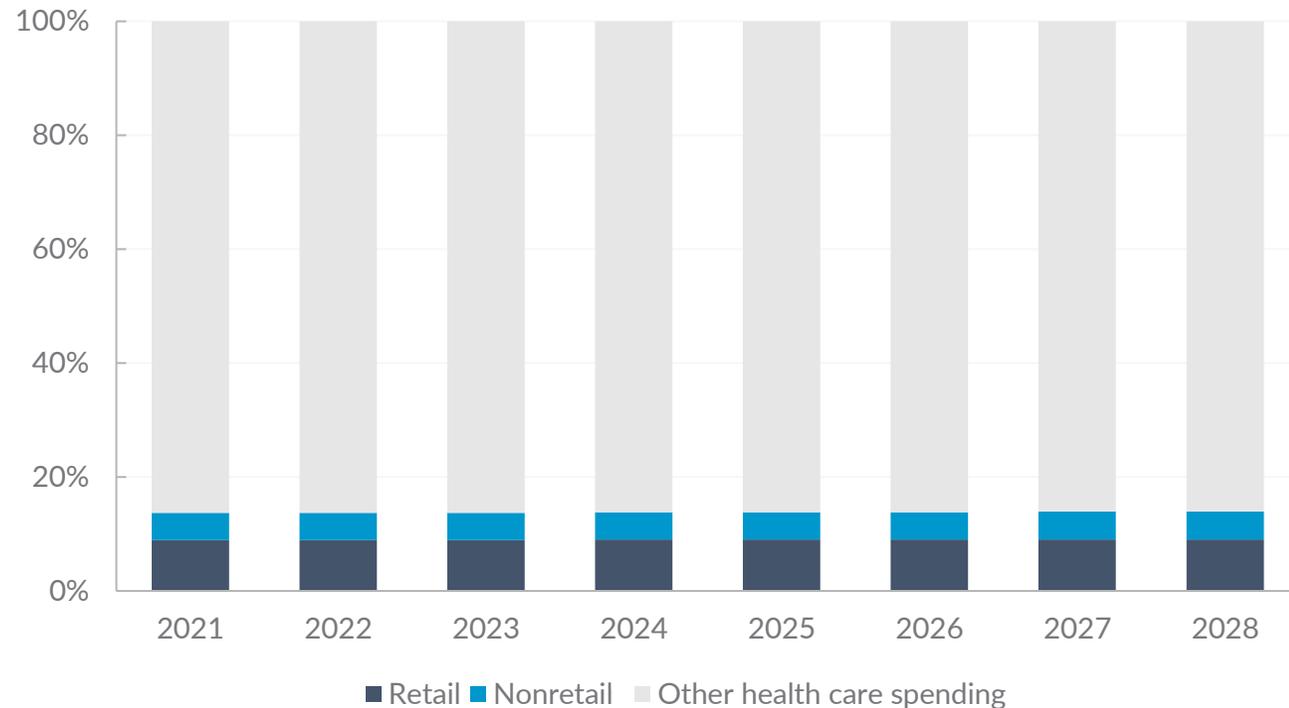


of total health care spending

In 2022, per capita spending on medicines* grew, below inflation, at

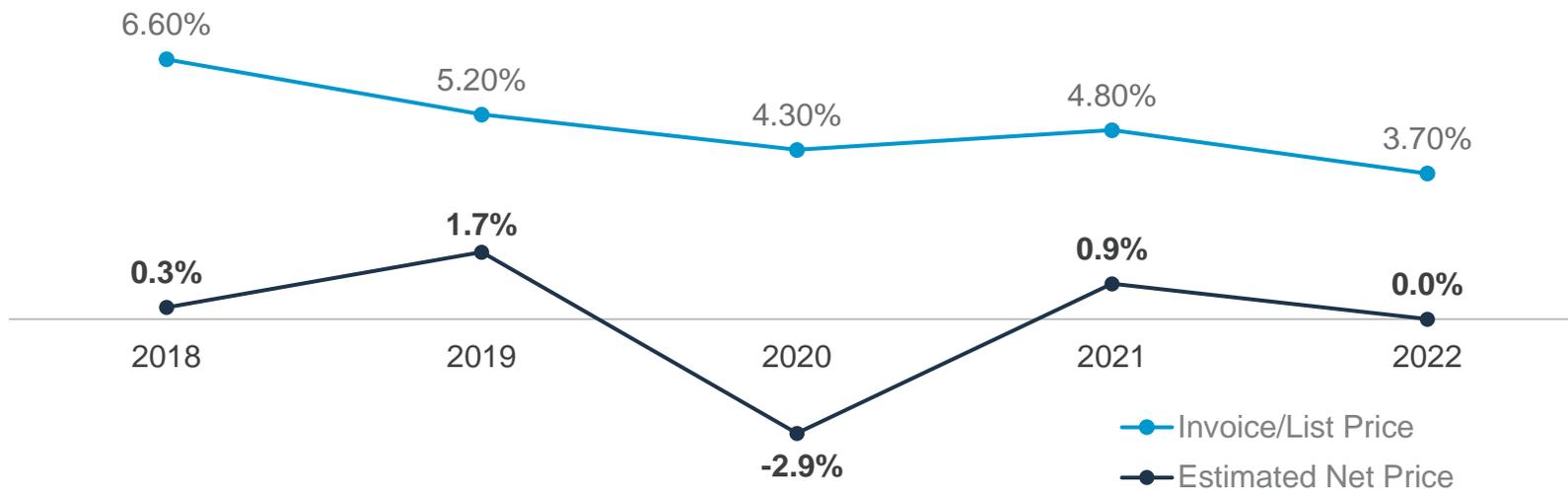
2.5%

Projected US Health Care Expenditures Attributable to Retail and Nonretail Prescription Medicines, 2021-2028



Net Prices for Brand Medicines Have Stayed Nearly Flat For The Past Five Years

Average Wholesale Acquisition Cost (WAC) Growth and Net Price Growth for Brand Medicines, 2018-2022



On average, a brand medicine's net price is

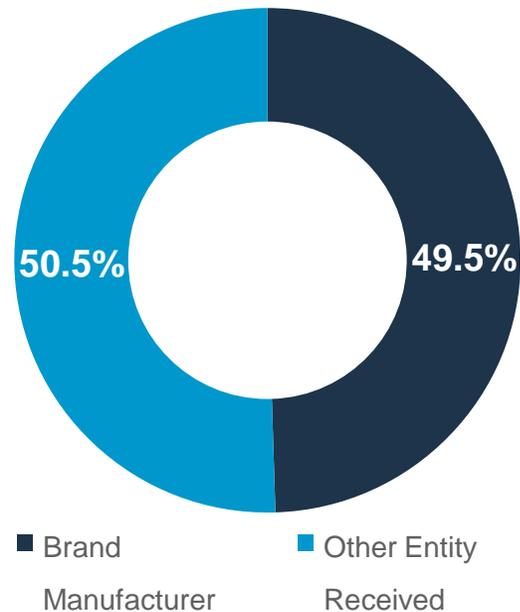
50%

lower than its list price.

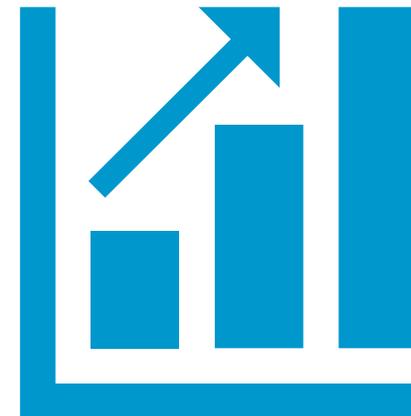
More than 1/2 of Brand Spend on Medicines Goes to Other Stakeholders, not Patients (and not the Manufacturers)

Rebates, discounts and other payments made by brand manufacturers reached \$256B in 2022.

Percent of Total Spending on Brand Medicines Received by Manufacturers and Other Entities, 2020



Payments from brand manufactures to payers, middlemen, providers and other stakeholders tripled between 2012 and 2021

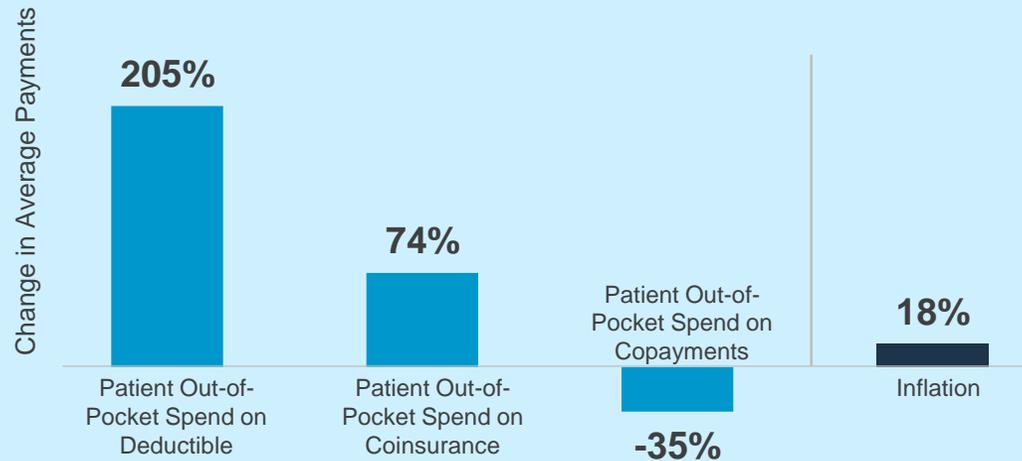


Patient Cost Sharing Is Increasingly Tied to List Prices through Coinsurance and Deductibles

Patient Spending Rises as Plans Use More Deductibles and Coinsurance

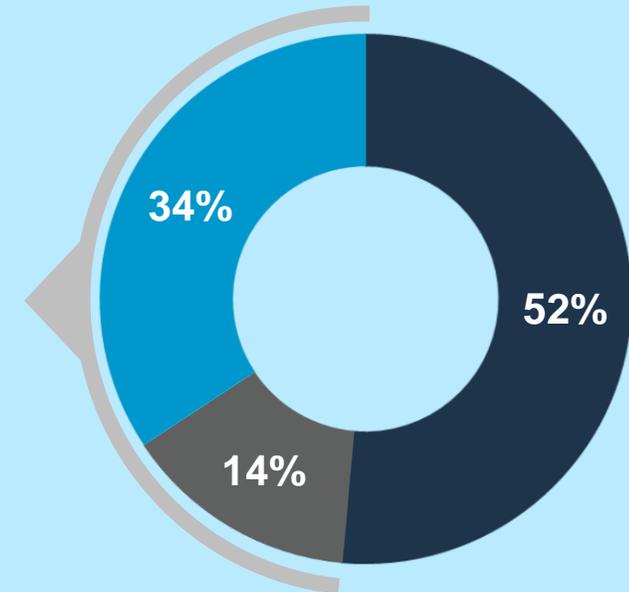
Nearly Half of Commercially Insured Patients' Cost Sharing For Brand Medicines Is Based on the Undiscounted List Price

Change Among Large Employer Health Plans, 2007-2017



49%
of patient cost sharing is based on list price

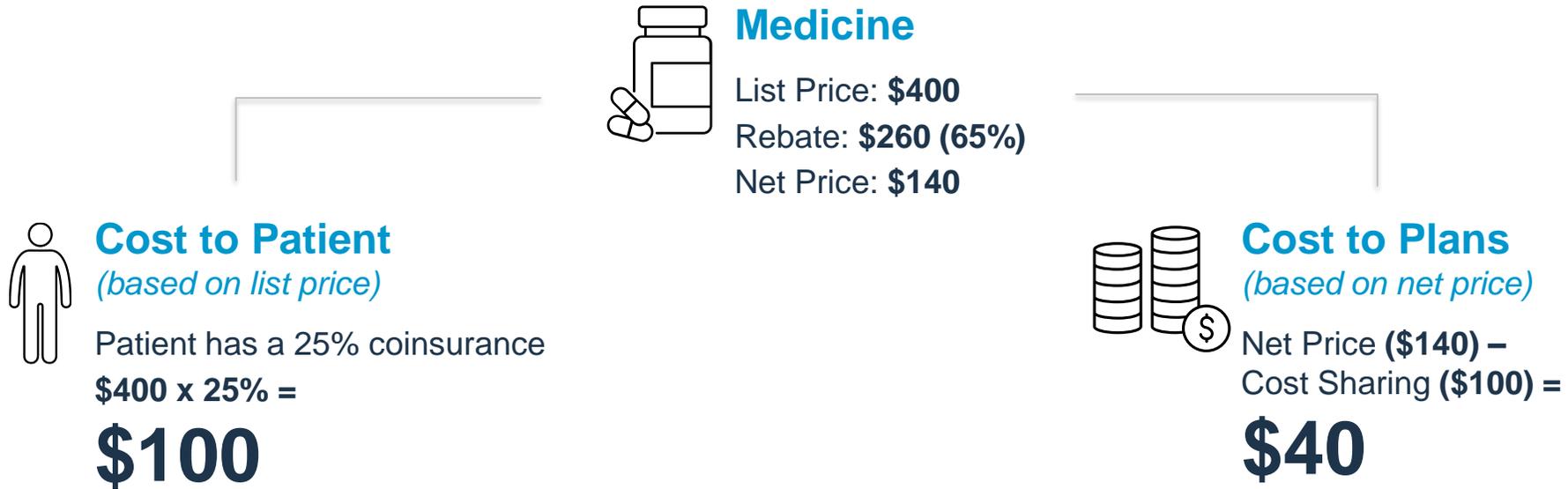
- Copay
- Deductible
- Coinsurance



Source: Peterson Center on Healthcare and Kaiser Family Foundation. Tracking the rise in premium contributions and cost-sharing for families with large employer coverage. August 2019.

Source: IQVIA Institute for Human Data Science. Medicine spending and affordability in the United States. August 2020.

Patients Who Pay Cost Sharing for Medicines Based on Undiscounted List Prices Do Not Directly Benefit From Rebates and Discounts



Patients can end up paying a greater share of total cost than their health insurers pay.

Current System Can Lead Middlemen to Favor Medicines with High List Prices and Large Rebates

While follow-on, authorized generic and biosimilar insulins drive competition across the market, misaligned incentives mean PBMs may block patient access to these lower list-priced products in favor of products with large rebates.

Follow-on insulins launched in 2016 and 2018 have been found to capture just 2-17% of the market share in Medicare by 2019.



In 2022, two of the three largest PBMs excluded insulin authorized generics from national commercial formularies



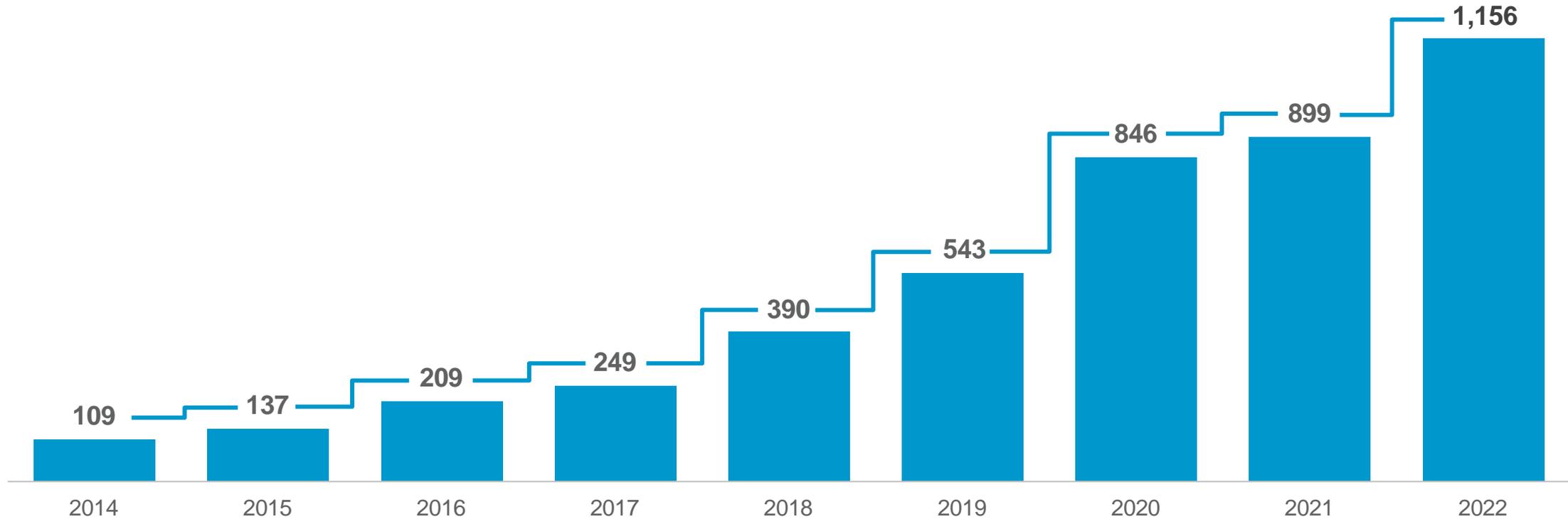
None of the nation's 3 largest PBMs included the low-list priced interchangeable biosimilar insulin on 2022 and 2023 national commercial formularies.

* Following the transition date, authorized generics are regarded as unbranded biologics.

PBMs and Insurers are Excluding a Growing Number of Medicines from Formularies

Formulary exclusions can leave patients with fewer treatment options covered by their insurance.

Number of prescription medications excluded from one or more PBM standard commercial formulary, by year

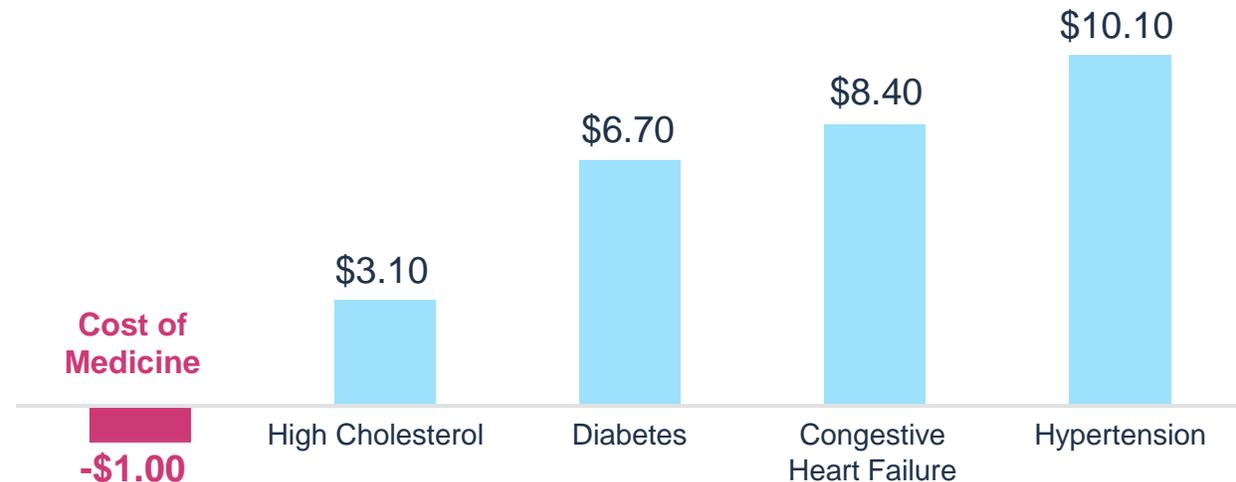


Prescription Medicines Can Lower Health Care Costs by Reducing the Need for More Costly Medical Services



Every \$1 spent on medicines for adherent commercially insured patients with common chronic conditions **saves up to \$10** in avoidable health care services, like emergency department visits and hospitalizations.

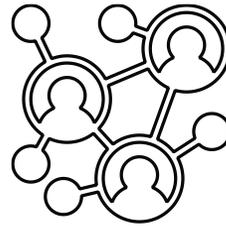
Estimated Savings Per Dollar Spent on Medicines for Adherent Commercially Insured Patients with Common Chronic Condition



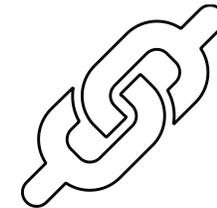
How Could the Current Rebate System Work Better for Patients and Payers?



Share rebate savings directly with patients at the pharmacy counter.



Address PBMs' incentives to cover medicines with high list prices and large rebates.



End price-based compensation for supply chain middlemen.

QUESTIONS

Rachel Cottle Latham
RCottleLatham@phrma.org