

# PBM 101

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House Health Care Committee

April 3, 2014

**We'll see you through.**

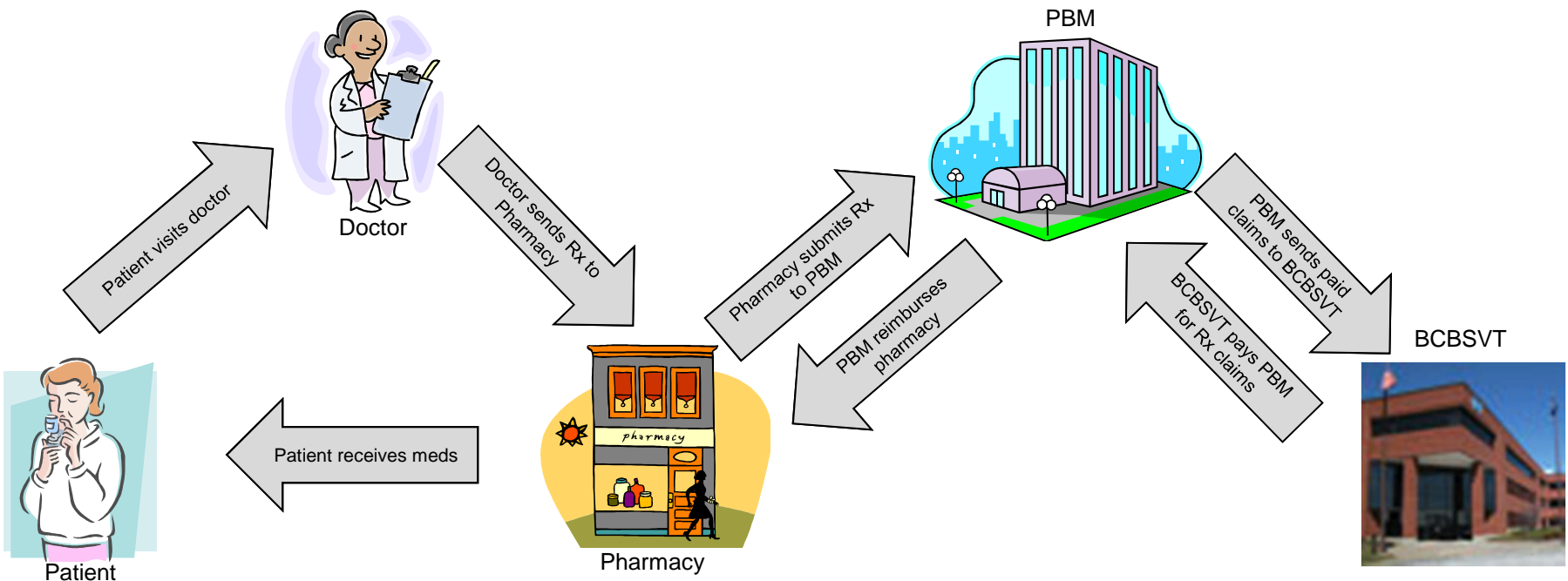


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# What is a PBM?

- PBMs are the circuitry through which we provide our members widespread access to affordable prescription drugs in a safe manner.



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# How Much Volume Do PBMs Handle?

- **BCBSVT's Volume** (167,000 members)
  - 1.6 Million Rx claims
  - \$151 Million in drug spend
  - 8,592 pharmacies used
  - 14,141 unique drugs processed
- **Express Scripts' Volume** (105,000,000 members)
  - 1.5 Billion Rx claims
  - \$104 Billion in drug spend
  - 67,000 pharmacies used
  - 140,000 unique drugs processed
- **Caremark's Volume** (63,000,000 members)
  - 880 Million Rx claims
  - \$62 Billion in drug spend
  - 67,000 pharmacies used
  - 140,000 unique drugs processed
- **Catamaran's Volume** (32,000,000 members)
  - 350 Million Rx claims
  - \$25 Billion in drug spend
  - 67,000 pharmacies used
  - 140,000 unique drugs processed

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# History of PBMs

- **1980's:** Basic claims processing & mail order pharmacy
- **1990's:** Two-Tier Drug Cards
  - Members were incented to use generics
  - Formulary management and rebate contracting
  - Pharma buys PBMs
- **1996:** FDA Expands Pharmaceutical DTC Advertising
  - By 2005, \$4.2B spent on DTC advertising
  - Another \$8.4B on pharmaceutical representatives
- **Early 2000's:** Three-Tier Drug Cards
  - Meant to combat advertising on non-formulary “Me Too” drugs
  - Pharma sells PBMs
  - State Attorneys General sue PBMs for transparency.
- **Late 2000's:** Big Pharma offers members copay waiver cards
  - Negates impact of three-tier drug cards
  - Plan sponsors respond with Step Therapy, Prior Approvals and Quantity Limits
  - Industry consolidation

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# What Services Do PBMs Provide?

- Claims Processing
- Patient Safety Edits
- Formulary Management
- Pharmacy Contracting
- Manufacturer Rebate Contracting
- ePrescribing Hub
- Mail Order Pharmacy
- Specialty Drug Pharmacy
- Customer Service
- Prior Approval Processing
- Academic Detailing
- Data Integration
- Account Management
- Market Development
- Fraud, Waste & Abuse Review
- Trend Analysis

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# How Does PBM Pricing Work?

- Brand Drug Discounts
- Generic Drug Discounts
- Specialty Drug Discounts
- Dispensing Fees
- Rebate Percentage
- Rebate Guarantee

Each of these items have different amounts for retail pharmacies and the PBM's mail order pharmacy.

- Fees

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# How Do PBMs Make Money?

- **Discount Spread**

- Example: PBM negotiates a 16.6% discount with the pharmacies and then negotiates a 16.5% discount with the plan sponsor.

- **Pass-through + Fee**

- Example: PBM negotiates a 16.5% discount with the pharmacies and then passes the full discount onto the plan sponsor. PBM charges the plan sponsor a fee on each claim.

- **Rebates**

- Example: PBM keeps a portion of the rebates it collects from manufacturers.

- **Float**

- Example: PBM collects from the plan sponsor on the 1<sup>st</sup> and reimburses the pharmacies on the 3<sup>rd</sup> of the month.

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# Questions?

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