



Pharmacy Benefit Managers

Vermont House Health Care Committee
Hearing on H 233 – 2/14/24

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Who is PCMA?



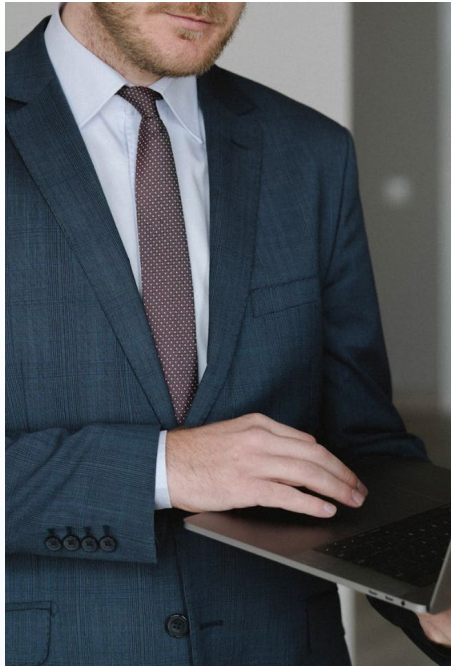
- National association representing America's pharmacy benefit managers (PBMs)
- Members administer prescription drug plans for more than 266 million Americans who have health coverage from a variety of sponsors

What is a PBM?

A pharmacy benefit manager (PBM) is a health care company hired by insurers, employers, and government programs to administer their prescription drug benefits



Who Hires a PBM?



Private Sector Employers



Public Sector Employers



Commercial Health Carriers/
Government Programs



Union Trusts/Taft-Hartley
Plans (ERISA-exempt)

PBMs administer prescription drug plans for Americans with healthcare coverage

Why Hire A PBM?



Increasing prices for some brand and generic drugs



PBMs enable patient access



PBMs play a unique and central role in **driving adherence, holding down costs, and increasing quality**



PBMs drive better health outcomes



PBM tools **deliver savings** for plan sponsors and patients



PBMs deliver savings

Pharmacy Benefit Management Services



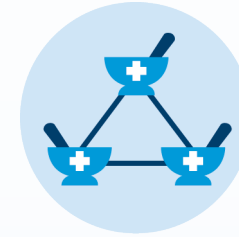
Claims Processing



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

How Do PBMs Enable Patient Access?

- Encouraging the use of generics and affordable brand medications
- Reducing waste and increasing adherence to improve health outcomes
- Offering home delivery of medications and creating networks of affordable and high quality pharmacies
- Negotiating rebates from drug manufacturers and discounts from drugstores Managing high-cost specialty medications

FACT

PBMs help save patients and payers 40–50% on their annual drug and related medical costs compared to what they would have spent without PBMs.¹

What Tools Do PBMs Use to Keep Costs Down?

FORMULARY

- List of prescription drugs approved for usage by a plan sponsor.
- Plan sponsors customize the drug list to meet their plan-specific needs.
- Tier structures create preferred groups of drugs and incent lower cost choices.
- Formularies can change when new drugs are approved, changed, or recalled by the FDA.

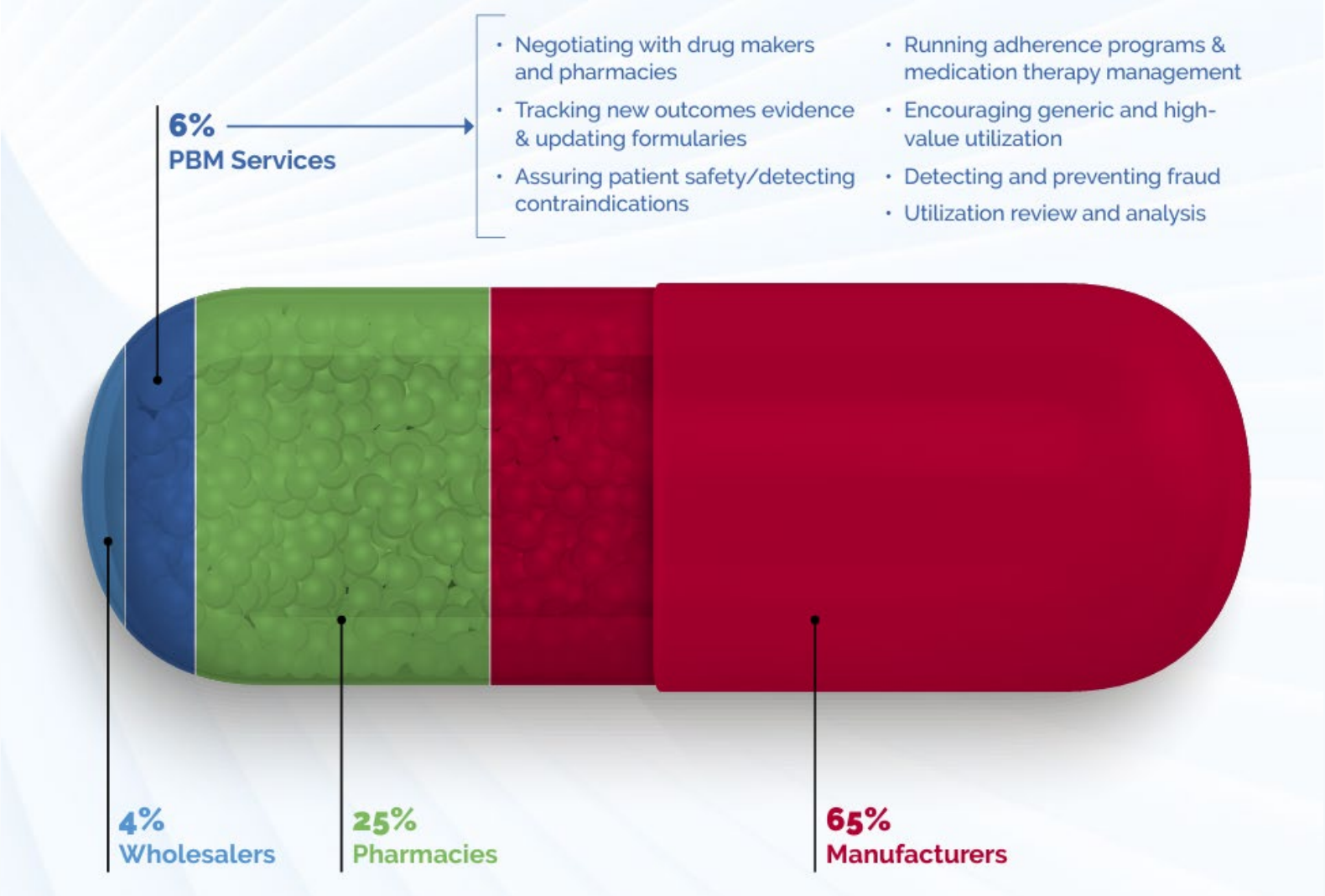
REBATES

- Drug manufacturers compete against each other for formulary coverage by negotiating rebates with PBMs.
- Rebates get passed through to health plans who can use savings to lower premiums and other patient costs.
- Negotiating rebates or discounts on prescription drugs with drug companies lowers patient prescription drug costs by nearly \$1,000 each year.

UTILIZATION MANAGEMENT

- Utilization management not only helps reduce medication errors and improve patient safety, it encourages use of lower-cost, clinically effective drugs.
- PBMs are working to leverage technology to improve patient experience, including through electronic prior authorization and real-time benefits tools.

90% OF RX DOLLAR RETAINED BY MANUFACTURERS AND PHARMACIES



EMPLOYERS ARE OVERWHELMINGLY SATISFIED WITH THEIR PBMS



Methodology: The national survey was conducted online by North Star Opinion Research between June 4–9, 2020 consisting of 250 respondents drawn from a list of benefit managers and human resources directors who work for companies with 1,000 or more employees, have at least 1,000 individuals under coverage, and have an annual drug spend of over one-million dollars.

The Supreme Court and ERISA Self-Insured Legal Decisions

The Court said in Rutledge...

- Reporting requirements and elements related to plan design are preempted by ERISA
- These laws could raise costs for ERISA plans. The Court said, "...ERISA plans may pay more for prescription-drug benefits."
- The Court implied that states are still not allowed to force employer plans to structure benefits in a specific way, and that a law that increases costs so much for employers that the employer must restructure its benefits may run into trouble with the federal law.

The Court did not say...

- The Court did not say that states have total freedom to regulate PBMs with respect to every aspect of their function as an extension of an ERISA entity.
- The Court did not say implementation of laws like Act 900 would not impact costs, it in fact said that this law would raise costs for ERISA plans.
- The Court did not say that every law directed at PBMs is valid or not preempted by ERISA.



H 233

Spread Pricing: Risk Mitigation for Clients

- A risk mitigation (spread) pricing model provides employers and other health plan sponsors with cost predictability by giving them a **price-certain** for prescription drug benefit payments to pharmacies.
- This model **holds the client harmless** for their enrollees' pharmacy shopping choices and aligns the interests of the PBM, pharmacy, and plan sponsor to achieve the lowest possible cost.
- If the pharmacy charges more than the rate agreed between the plan sponsor and the PBM, the PBM loses money. If the pharmacy charges less, the PBM earns a margin.
- Spread pricing is a **client-demanded** contracting option that brings predictability to many employer accounts.

Varying drug prices across pharmacies

- The same drug can cost different amounts at different pharmacies.
- PBMs help drive savings for patients and plan sponsors by helping to design preferred networks and by providing transparency on where patients may be able to obtain their prescriptions at the lowest cost.



Rx = \$25



Rx = \$12



Rx = \$17



Rx = \$22