

PHARMACY BENEFIT MANAGERS & THEIR IMPACT ON LIVER PATIENTS

What are PBMs?

Pharmacy benefit managers (PBMs) act as middlemen in the drug supply chain between drug manufacturers and insurance companies to manage insurers' prescription drug benefits.

They negotiate prices and manage formularies (the list of drugs covered by a health plan and the tiers, or copay level). In many cases, the health insurance company and PBM are part of the same parent company, and, in some cases, the pharmacy is as well.

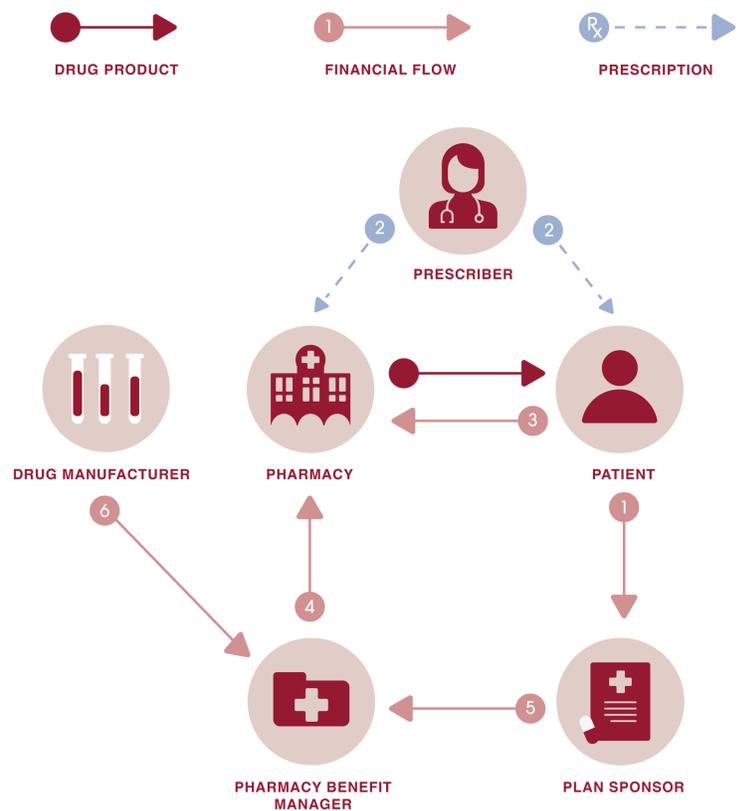
HOW THE SYSTEM WORKS

HOW DOES A PATIENT GET A PRESCRIPTION?

1. If the patient has health insurance, they pay a premium to their health plan sponsor.
2. A physician writes a prescription for the patient, which is sent to the pharmacy.
3. When picking up the prescription, the patient pays the pharmacy – generally a copay, but it could also be the cash price – and receives their drug.
4. If insurance is used, the PBM pays the pharmacy the amount owed by the plan sponsor.
5. The PBM then bills the plan sponsor for that cost.
6. If applicable, the manufacturer pays negotiated rebates back to the PBM.

WHAT DOES A PBM DO?

- Manages prescription benefit plans
- Reviews claims and makes decisions
- Manages pharmacy networks – which pharmacies patients can use and how much they pay
- Develops the drug formulary – which drugs are available to patients on a plan, how much patients pay, and utilization management tools used
- Negotiate rebates with manufacturer



WHAT IS UTILIZATION MANAGEMENT?

Utilization strategies are tools that health plans use to control costs and limit overall health care use ("utilization") by plan members. Common examples include prior authorization and step therapy.

A doctor prescribes their patient the most clinically effective treatment, and that patient (or their caregiver) uses their local pharmacy to fill the prescription. However, there are many steps and entities in between that affect whether or not that drug is covered and how much the patient pays.

Why is this important? The largest PBMs manage 90% of prescriptions, and a recent report from the Federal Trade Commission found that PBMs have inflated drug costs for patients and limited access to low-cost drugs.¹ When unfair practices drive up costs and limit access, we are all affected.

1. <https://www.ftc.gov/reports/pharmacy-benefit-managers-report>

Impacts of PBMs

PBMs affect a patient's ability to get the treatment they need:

ACCESS

Which drugs are preferred on an insurance formulary and what obstacles patients must navigate to receive their prescription

AFFORDABILITY

The price of available drugs to patients; often inflated based on deals and rebates



How PBMs Affect Patients

PBMs play a controversial role in the drug supply chain since certain actions **lead to patients paying higher prices for drugs by increasing profits for PBMs and health insurers.**

- 1. PBM practices increase costs to patients at the pharmacy.** PBMs' stated role is to negotiate discounts (as rebates) with manufacturers, but they are not required to pass those discounts on to patients. Oftentimes the PBM and/or insurer retains those rebates and leaves patients paying more for their prescription drugs.
- 2. PBM practices are not transparent.** Negotiations between manufacturers and PBMs are proprietary, so it is hard for the public to understand the factors affecting the cost of medications, sometimes leading to higher prices for patients than a drug actually costs. Confusingly, lower drug prices may be available through discount programs rather than one's insurance coverage.
- 3. Exclusionary practices threaten community pharmacies.** PBMs often favor large pharmacy chains they own or pharmacies where they have favorable contracts, disadvantaging independent, community pharmacies and limiting where people can fill their prescriptions.
- 4. Cost-saving practices place a burden on patients.** PBMs decide which drugs are covered and use "utilization management" to prioritize efficiency over prompt care. They then favor drugs that earn them more money, while leaving patients with fewer options and more obstacles like prior authorization or step therapy before they receive effective treatment.

Solutions for Patients

Congress has recognized the need to reform PBM practices and has spent the past years shaping policy to do so. Key policies under consideration would:

- **Provide transparency:** PBMs would be required to report on their activities and certain pricing information to HHS.
- **Stop inflating prices:** Eliminating "spread pricing" would prohibit PBMs from charging more for a drug than they paid to acquire it.
- **Ensure patients benefit from savings:** Congress has proposed policies that require PBMs to "pass through" rebates (the discounts they negotiate) to health plan sponsors (employers or other groups paying for insurance coverage), which should result in savings that lower premiums instead of bonuses kept by PBMs to increase their own profits.
- **Correct perverse incentives:** PBMs are currently paid their fees as a percentage of a drug's cost. Thus, PBMs prefer higher-priced drugs and favor them on formularies. Proposals to **de-link fees from the price of drugs** and instead require them to charge fee based on the services provided would remove this incentive that pushes patients toward more expensive treatments.

Patients need prompt, affordable access to the treatments that will enable them to live the lives they desire – and deserve.

Congress should act to reform PBM policies.



90% OF PRESCRIPTIONS IN THE US ARE MANAGED BY THE 6 LARGEST PBMS