

PHARMACY BENEFIT MANAGER (PBM)



Presentation by:

Pantea Ghasemi, USC Pharm.D. Candidate of 2015

Mentor:

Dr. Craig Stern, Pro Pharma Consultants Inc.

April 3, 2015

OBJECTIVES

1. Define PBM
2. Discuss Service portfolio and how PBMs get paid
3. Discuss the different models:
 - Standard PBM
 - PBA
 - Transparent PBM
4. Discuss differences in services between models
5. Discuss the Business Model
6. Summary



PHARMACY BENEFIT MANAGER (PBM)

- A third party that manage prescription drug benefits for an organization
- Handle cost and utilization of prescription drugs and improve the value of plan sponsor's drug benefit
- Operate on behalf of employer and insurance companies



SERVICE PORTFOLIO

Process prescription
drug claims

Develop and maintain
formulary

Contract with retail
pharmacies and mail
order to offer discounts
for prescription drugs

Negotiate with drug
manufacturers for
rebates

Offer drug utilization
review (DUR)

Provide data and report
regarding drug use

Offer specialty
pharmacy different
services

Provide educational
components for
patients and physicians



DIFFERENT WAYS PBMs GENERATE PROFIT

Charge payers administrative fee per transaction based on number of prescriptions

Retain rebate administrative fees negotiated with manufacturers

Formulary management fee from manufacturer

Filling mail service prescriptions

Filling and managing specialty prescriptions

Retain spread in maximum allowable cost (MAC) fee schedule payments for generics that's greater than what is paid to retail pharmacies



DIFFERENT MODELS

Standard PBM

- Receive spread pricing
- Services include mail service, prospective and retrospective DUR, specialty pharmacy
- Have contracted discount rates for drugs with pharmacies
- Earn revenue on some pharmacy claims
- Therapeutic switching



DIFFERENT MODELS (CONT.)

2. Pharmacy benefit Administrators (PBA)

- Perform only adjudicated claims for contracted pharmacies
- Is not paid for all other services
- Must purchase other services
- No spread pricing
- Complete transparent claim adjudication
- Don't take risks (not offer disease state management)



DIFFERENT MODELS (CONT.)

3. Transparent PBM

- All elements of the agreement between PBM and sponsor are open for purchaser to review
- Purchaser only pays what the pharmacy submits for payment
- All pricing is based on actual pharmacy contracts
- All elements of rebate contracts are open to audit
- No spread pricing



BUSINESS MODEL

Services	Standard PBM	PBA	Transparent PBM
Spread Pricing	X		
Rebates	X		X
Admin. Fees	X	X	X (PMPM)
Specialty Meds	X		
Mail Order Services	X		
Therapeutic Switch	X		
Value added programs	X		
Only paid for adjudicate claims		X	
Transparent claim		X	X

SUMMARY

- A PBM is an entity of programs, services designed to control costs associated with delivery of pharmaceutical care
- PBMs have many functions in which they use to make profit for themselves
- Each PBM model has its own type of service that it offers having its own advantages and disadvantages



REFERENCES

1. Navarro, R. “Managed Care Pharmacy Practice, Role of PBMs.” Second Edition, by Jones and Bartlett Publishers, LLC. 2009; p95-112.
2. Robinson J. and Dolan E. “Accountable Care Organizations in California: Lessons for the National Debate on Delivery System Reform. Integrated Healthcare Association 2010: 1-28.
3. Roux, R., Nguyen T, Quadri S. “The PBM Business Model Integrated Delivery Network.” 2009. Retrieved April 1, 2015. <http://gcshtx.org/PBM.pdf>
4. Stern C, Pascal B. “Pharmacists Question Payer and PBM Agreements- They want to know and Understand.” Pro Pharma consultants Inc. Accessed April 1, 2015. <http://propharmaconsultants.com/education/publication>
5. Stern C. “Chapter 20, PBM and service portfolio.” Health Insurance Answer Book 11th edition, Wolters Kluwer Publishers, 2013. Accessed April 1, 2015.
6. Stull M, Taylor N., Uldricks D. “Traditional vs Transparent Rx pricing model.” Employers Health. January 2014. Accessed April 1, 2015. <http://www.corporateunited.com/media/docs/category-marketing/traditional-vs-transparent-rx-pricing-models.pdf>



Thank you!
Questions?

