PHARMACY BENEFIT MANAGER (PBM)

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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)
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

<table>
<thead>
<tr>
<th>Services</th>
<th>Standard PBM</th>
<th>PBA</th>
<th>Transparent PBM</th>
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<tbody>
<tr>
<td>Spread Pricing</td>
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<tr>
<td>Rebates</td>
<td>X</td>
<td>X</td>
<td>X (PMPM)</td>
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<td>Admin. Fees</td>
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<td>Specialty Meds</td>
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<td>Mail Order Services</td>
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<td>Therapeutic Switch</td>
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<td>Value added programs</td>
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<td>Only paid for adjudicate claims</td>
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<td>Transparent claim</td>
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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


Thank you!
Questions?