PBM vs. PBA

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OBJECTIVES

• Define Pharmacy Benefit Manager (PBM)

• Discuss the role of the PBM and how they are compensated

• Discuss the Transparent Model

• Define Pharmacy Benefit Administrator (PBA)

• Discuss the advantages of the PBM and PBA
WHAT IS A PBM?

• Pharmacy Benefit Manager (PBM)
  • Entity that administers managed pharmacy programs
  • Controls costs associated with the delivery of pharmaceutical care
COST CONTROL

• Improve prescribing and dispensing process
  • Through online and real-time claims adjudication

• Retail network of pharmacies

• Drug utilization review (DUR)
  • Online at the point of sale

• Data and Reporting
  • In regards to drug usage

• Formulary development and rebate contracting
COMPENSATION TO THE PBM

• Administrative fees
  • Charging payers an administrative fee for adjudicating a claim

• Rebates
  • Retaining rebates negotiated with manufacturers

• Securing discounts from pharmacies

• Retaining pharmacy spread
REBATES & DISCOUNTS

• PBMs influence the purchase of huge volumes of pharmaceuticals
  - Rebates from drug manufacturers
  - Discounts from retail pharmacies
PHARMACY SPREAD

• Difference between the amount a PBM collects from the payer and the amount a PBM pays to the pharmacy

• Example:
  • The PBM collects $50 from the payer for Drug A and pays the pharmacy $20.
  • The pharmacy spread is $30 and is retained by the PBM.
TRANSPARENT MODEL

• All PBM revenue streams are **fully disclosed to the payer**
  • Pharmacy discounts, manufacturer rebates, pharmacy spread

• Retail and mail-order discounts are **passed onto the payer**

• The **client has ultimate decision making control** over its drug benefit design and formulary management
WHAT IS A PBA?

- **Pharmacy Benefit Administrator (PBA)**
  - Handles administrative services for the client

- Services are provided by PBAs or leading PBM.

- Formulary management, rebating, and contracting with network pharmacies may be managed by the client.
PBA PARAMETERS

- Cost is based on “lesser of logic”
  - The lesser of the AWP or MAC negotiated discount

- PBA administration services is the only arrangement

- Custom MAC
  - Based on “lesser of logic”
    - State Medicaid MAC
    - Federal Upper Limits (FUL)
  - Updates monthly and more frequently
PBM ADVANTAGES

• More than a claims administrator

• Partners with payers to improve member health
  • Developing formularies
  • Utilization Management
    • Step therapy
    • Prior authorization
    • Safety programs
PBA ADVANTAGES

• Transparency
  • Payers will know the actual price of prescriptions and rebates received

• Elimination of “middle-man” incentives

• Control over drug benefit design
SUMMARY

• The **advantages of a PBM must be considered before the decision to gain more control**

• Organizations need to be **well-equipped with sufficient amount of expertise and resources to transition toward the PBA model**

• Anticipated **movement toward the PBA model in the future**
THANK YOU

Questions??
REFERENCES

• Stern C. Chapter 20 Pharmacy Benefit Management.
• Stern C. PBM to PBA Model: Lessons Learned From Implementation to Successful Operations