

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 PBMs
 - 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??

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