PHARMACY BENEFIT MANAGERS (PBM)

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Under the preceptorship of Dr. Craig Stern
TODAY
PBM\text{s control the pharmacy benefits of more than 253 million Americans

*In 2015, UnitedHealthcare, which operates the OptumRx PBM, acquired Catamaran.

\begin{itemize}
  \item \text{Express Scripts: 29%}
  \item \text{CVS Health (Caremark): 25%}
  \item \text{OptumRx/Catamaran*: 22%}
  \item \text{All Other: 24%}
\end{itemize}
OUTLINE

- What are PBMs?
- Different Contract Types
- PBMs Impact on Patients and Plan Sponsors
- PBM and Managed Care
- Outlook
WHAT IS A PBM?

- Company that handles the prescription drug benefit component of a health plan.
  - Maintain or reduce pharmacy expenditures of the plan to improve health care outcomes

- Some of their functions include:
  - Developing and maintaining formularies
  - Contracting with pharmacies
  - Negotiating discounts and rebates with drug manufacturers
  - Processing and paying prescription drug claims
  - Mail Order
  - Specialty Pharmacy
  - Drug Utilization Review
PBM SERVICES

- DEVELOPMENT OF PHARMACY NETWORKS
  - Negotiate with retail pharmacies for discounts
  - Assure adequate pharmacy sites

- DRUG UTILIZATION REVIEWS
  - Eligibility
  - Drug interactions
  - Adverse drug reactions

- GENERIC DRUG SUBSTITUTION
  - Facilitate therapeutic substitutions
PBM SERVICES

DISEASE STATE MANAGEMENT (DSM)
- Evaluate treatment options
- Education enrollees and physicians
- Develop expert-derived clinical guidelines to help physicians with value-based reimbursement

FORMULARY MANAGEMENT
- Help contain drug costs by:
  - Encouraging use of formulary drugs through compliance programs and financial incentives
  - Limit the number of covered drugs
ESSENTIAL PATIENT SERVICES

- STEP THERAPY AND PRIOR AUTHORIZATION

- SPECIALTY PHARMACIES:
  - Help accurately dispense complex medications
  - Provide ongoing clinical support
  - Manage drug-related side effects
  - Monitor drug safety through FDA-approved Risk Evaluation and Mitigation Strategy (REMS) programs
METHODS OF COMPENSATION

- **REBATES**
  - Formulary payments to obtain preferred formulary status.
  - Market-share payments to encourage utilization relative to competitors.

- **ADMINISTRATIVE FEES**
  - Another source of revenue they charge plans.

- **PHARMACY SPREAD**
  - Network pharmacy is reimbursed one price (AWP/MAC) and the plan sponsor is charged a higher price.
Follow The Money
PBMs Play Central Role in Rebate Flow

DIFFERENT MODELS

- **FULL SERVICE PBM**
  - Prescription adjudication, DUR, receive spread pricing, mail order, etc.

- **TRANSPARENT PBM**
  - No spread pricing: plan pays the amount the pharmacy bills

- **PHARMACY BENEFIT ADMINISTRATORS (PBA)**
  - Only perform adjudicated claims; provide prescription administration
**FEE-FOR-SERVICE CONTRACTS**

- PBMs are paid for the administrative services they provide.

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<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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<tbody>
<tr>
<td>Potential for lower cost because not exposed to insurance risk</td>
<td>Employer doesn’t know in advance the pharmaceutical benefit cost</td>
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## RISK SHARING CONTRACTS

- Client and PBM share savings.

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<tr>
<td>Employers have an incentive to help control costs.</td>
<td>Few companies have the data necessary to accurately price the drug benefit.</td>
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<tr>
<td>PBM has a financial incentive to control the cost of the benefit.</td>
<td>Potential for higher cost due to partial insurance risk.</td>
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**CAPITATED CONTRACTS**

- PBM receives a PMPM payment from the client to cover the dispensing fee PBM’s cost of providing pharmacy benefits.

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<td>Employers can plan accordingly since they know the annual price for dispensing an Rx</td>
<td>Few companies have the data necessary to accurately price the drug benefit.</td>
</tr>
<tr>
<td>Employers benefit at the PBM’s expense if the PMPM is set too low</td>
<td>Potential for higher cost due to partial insurance risk.</td>
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<td>PBM may benefit at the employer’s expense.</td>
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# PBM's Impact on Patients

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<td>Engages patients to make better health decisions and maximize benefits</td>
<td>May require patients to switch drugs for greater rebate negotiations</td>
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<tr>
<td>Improves adherence and patient safety</td>
<td>Limited Networks</td>
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<tr>
<td>Offers lower cost home delivery of medications for patients with chronic conditions</td>
<td>Patients may incur additional costs due to non-transparency</td>
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<td>Increases patient access</td>
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## PBM's IMPACT ON PLANS

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<td>Lower drug spend by negotiating discounts with manufacturers and pharmacies</td>
<td>Difficult to audit</td>
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<tr>
<td>Administer cost-saving clinical programs to lower drug spend</td>
<td>Lack of Transparency</td>
</tr>
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<td>Develop formularies</td>
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PBM AND MANAGED CARE

- Affordable Care Act (ACA) in 2010 extended prescription drug coverage for millions of Americans.

- The need to manage pharmacy benefits for an increasingly diverse beneficially population and expensive range of drugs increased.

- Most Medicaid beneficiaries are enrolled in managed care plans.
  - Medicaid Pharmacy Benefits Managers (PBMs) filled an important role between patients and the health care system.
LEGAL ISSUES

PBMNs haven’t always disclosed rebates, discounts, billing statements, or saving percentages to insures.

Need for strong state legislation for greater transparency and disclosure.
SUMMARY

- PBMs are companies that manage the prescription drug benefits for plans to improve health outcomes and reduce costs.

- Different contract agreements offer advantages and disadvantages.

- PBMs have a huge impact on patients and insurers.

- There is a need for strong legislation for greater transparency and disclosure.
Questions?
REFERENCES


- National Community Pharmacists Association. *PBMs* Retrieved from http://www.ncpanet.org/advocacy/pbm-resources/what-is-a-pbm-


