



PHARMACY BENEFIT MANAGERS (PBM)

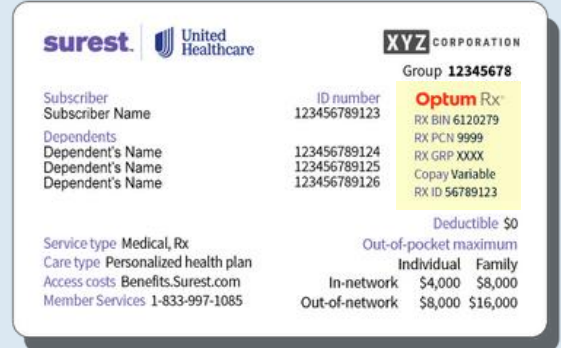
WHAT IS A PBM?

A Pharmacy Benefit Manager (PBM) helps manage prescription drug benefits for patients. PBMs specialize in managing prescription drug benefits for various health plan sponsors, such as public and private employers, unions, retirees, and government programs.

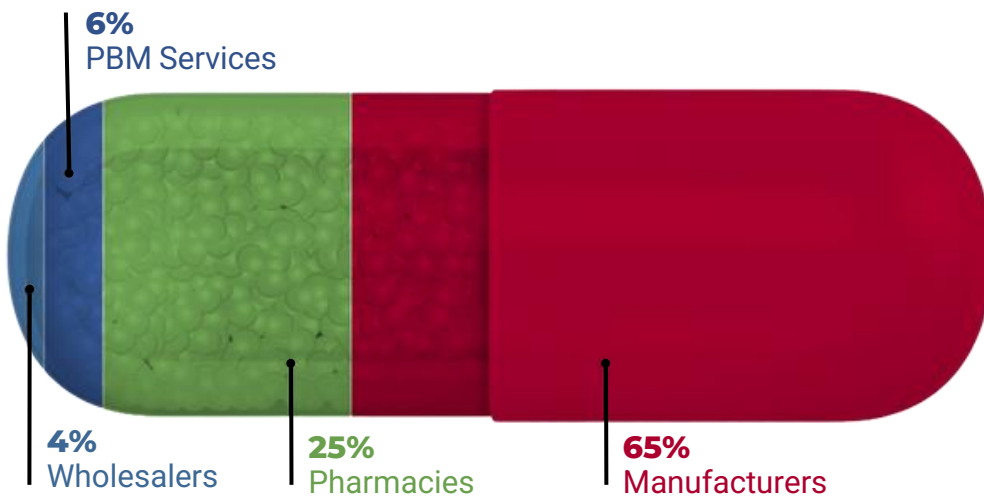
The primary goal of PBMs is to lower the cost of prescription drugs while ensuring access to necessary medications for the covered population. You can generally find out about your pharmacy benefits and prescription drug coverage by looking for the “Rx” information on the back of your insurance card.

PBMs negotiate agreements with drug manufacturers on behalf of insurers and are paid rebates by drug manufacturers to help lower the costs of prescription drugs. PBMs then pay pharmacies on behalf of health insurance providers for drugs dispensed to patients.

PBMs earn profits primarily through administrative fees charged for their services, and shared savings where the PBM keeps part of the rebates or discounts negotiated with drug manufacturers. This equates to roughly 6% of the costs of a prescription drug.



DRUG SUPPLY CHAIN COSTS



Source: Data Published by IQVIA

States, insurers, and employers hire PBMs to help provide their employees or members with appropriate, cost-effective medications that improve their health and lower medical costs. PBMs perform many services based on their client’s specific priorities and needs. The client decides which services it needs a PBM to provide its members.

HOW DID PBMs GET STARTED?

When the federal government required prescription drug coverage to be an essential health benefit for most health insurance policies, PBMs became important in managing this health care benefit. Many health plans used PBMs to help them contain prescription drug costs. Prescription drug prices are now the single largest contributing cost to health care premiums. Pills are more expensive than in-patient hospital care.

Michiganders take prescription drugs more frequently and pay nearly three times as much for them as other industrialized countries. The United States is the undisputed leader in developing new drugs. There are now almost 20,000 FDA-approved prescription drugs on the market. According to RAND Corporation, America has the highest per-capita pharmaceutical spending of any country in the world, and Americans consume nearly 60 percent of all drug sales made on Earth.

Today, there are **66 PBM companies**. These companies handle most negotiations and payments within the prescription drug supply chain. The well-being of employees is crucial for the success of American businesses. With more than half of the population relying on workplace health insurance, employers play a pivotal role in overseeing health care expenses. This is why many employers nationwide collaborate with PBMs to ensure their employees have access to affordable medications critical to improving or maintaining their health.



PBMS BY THE NUMBERS

\$1,043

Average savings per patient per year that PBMs negotiate and provide.

Source: https://www.pcmanet.org/wp-content/uploads/2017/04/PBMs-Save-Patients-and-Plans_2017Infographic.pdf

\$123

Average savings provided by PBMs for patients and health plans per brand prescription.

Source: PCMA, [The Value of PBMs](#)

275 MILLION

Number of Americans that PBMs help to access safe, affordable medications.

Source: <https://www.pcmanet.org/value-of-pbms/>

\$15.27 BILLION

Cost increases PBMs will prevent on MI's Commercial / Private Insurance over 10 years.

Source: <https://www.pcmanet.org/wp-content/uploads/2020/02/Pharmacy-Benefit-Managers-Generating-Savings-for-Plan-Sponsors-and-Consumers-2020-1.pdf>

POLICYMAKERS ARE MISSING THE MARK

Unlike other countries, the United States does not regulate or negotiate the price of prescription drugs. Drug manufacturers freely set drug prices without government price control or regulation.

In a misguided effort to combat the high costs of prescription drugs, policymakers have advanced reforms against health plans and PBMs. Reforms like cost-sharing caps on certain medications such as insulin, mandatory drug coverages like oral chemotherapy, and elimination of utilization controls like prior authorization and step therapy exacerbate prescription drug costs. Drug manufacturers support these reforms and other state insurance mandates because they make prescription drugs easier to access at a higher price.

Drug companies have successfully worked with prescribing physician groups to scale back utilization controls put in place by health plans to control healthcare costs. Recently, drug manufacturers have begun leading the charge for additional regulations and rules on PBMs to divert attention from themselves. Meanwhile, these policy changes are raising healthcare costs and impacting employers and workers.

DRUG MANUFACTURER REFORMS ARE NEEDED

In recent years, the federal government has opened doors to allowing states to control drug pricing by regulating drug manufacturers. The FDA recently permitted states to create importation programs to help health plans access lower-cost prescription drugs. Previous legal arguments made by drug manufacturers on why they can't be regulated at the state level are finally being called into question. [If policymakers in Michigan want to lower prescription drug costs, advancing the following reforms would help.](#)



IMPORTATION

Allow for the importing of prescription drugs at a lower cost and cast a light on why other countries that better regulate drug manufacturers have lower prescription drug costs.



TRANSPARENCY

Force drug manufacturers to provide transparency reports on drug pricing in Michigan.



COMPETITION

Allow the state of Michigan to manufacture and compete against other higher-cost insulin drug manufacturers.



INFLATIONARY CAPS ON DRUG PRICES

Limit specific drug prices to no greater than inflationary increases.



EARLY WARNING

Require drug manufacturers to provide an early warning of price increases on prescription drugs. Doing so would allow health plans, employers, and the state to factor in and prepare for those increases.



RATE APPROVAL & AFFORDABILITY REVIEW

Health plans must file and seek approval for their premium rates with state and federal regulatory entities each year; why not drug manufacturers? The creation of a state affordability review board would allow states to review and set rates for certain high-cost prescription drugs.



INTERNATIONAL REFERENCE RATES

Allow state regulators to establish international reference rates for the 250 most costly drugs in the state and prohibit state entities, health plans, or employers from purchasing referenced drugs for a cost higher than the referenced rate.



LIMIT MONOPOLY STATUS OF NEW DRUGS

Call on Congress to change federal prescription drug patent timeframes. New drugs in the U.S. are typically granted monopoly periods that usually last 12 to 17 years. During this period, drug companies tend to raise list prices each year, which can lead to higher out-of-pocket patient costs.

