White Paper on Pharmacy Benefits Managers

LHHS August 12, 2022

What are PBMs? They are companies that manage prescription drug benefits on behalf of health insurers, Medicare Part D drug plans, large employers and other payers. PBMs have a significant behind the scenes impact in determining drug costs and patients' access to medications.
The 3 big PBMs are CVS Caremark (34%), Express Scripts (24%) and OptumRx (United Health 21%), who manage 80% of all prescriptions and own, or are owned, by some of the largest insurers in the country. Each of these companies have made more than 15 billion dollars in a single year. These large corporations influence which medicines are covered by insurers and how much patients must pay out of pocket.
How do they make money? They take spread pricing (charging health plans and payers more for a prescription drug than what they reimburse to the pharmacy and pocket the difference), and from the direct and indirect renumeration fees pharmacies pay, including charges to participate in a PBMs' preferred network. There are also new revenue streams emerging.

PBMs are a part of a large and totally opaque drug pricing system. No one can provide the actual cost of a medication to a patient or prescriber. It is a jungle of negotiated prices, rebates, co-pays, spread pricing, steering patients to a particular pharmacy, forcing mail order pharmacies to be used, accumulators (not allowing patients to count co-pay cards or coupons towards their deductible or maximum out of pocket spending, thereby allowing insurers to be paid twice-double dipping). A lack of necessary oversight and regulation has allowed these industry middlemen to create loopholes through which they can take advantage of patients, institute treatment barriers to patients at many points along their treatment and increase their own profits.
In 2020, more than half of every dollar spent on brand-name medicines went to non-manufacturer stakeholders (middlemen). Most major insurers have their own PBMs, specialty pharmacies and providers, multiplying profits.
NM MCOs (for Medicaid) contract with 3 different PBMs

Suggested solutions:

Transparent pricing of entire supply chain

- While NM cannot compel manufacturers to lower prices, as the market share is not sufficient, wholesalers must be licensed by the NM Board of Pharmacy. Legislation to mandate wholesalers to make prices known.
- Eliminate spread pricing (which was eliminated in Centennial Care in 2020), accumulators, maximizers, and gags (not allowing pharmacists to advise patients of a lower cost option, such as paying out of pocket)
- Regulate copay accumulators to benefit patients
- Investigate disallowing PBMs to get paid a percentage (as it encourages them to push higher priced options) and have flat rate payments or fees
- Move Medicaid to a single formulary to limit PBM costs for each MCO
- Mandate that rebates go back to patients at point of care
- No steerage of patients to higher priced drugs or to PBM owned pharmacies, including mail order. This also will help to protect local pharmacies
- No fees collected for inappropriate quality measures
- Look at bulk purchasing, including combining with other states, or purchasing in other countries
- Investigate reverse auction as a 2016 law permits in NJ. It allows the state to share bid information submitted by all PBMs to incentivize the PBMs to submit lower offers in additional rounds of

bidding

- Investigate fiduciary PBMs to manage the benefits to the best interest of the patient rather than themselves. A fiduciary PBM has no direct pharmacy ownership thereby ending the built in conflict of interest in "traditional" PBMs
- Investigate 340B pricing and practices
- Investigate supplemental rebates that MCOs collect
- Investigate NM directly contracting with manufacturers for supplemental rebates
- Investigate having NM manage its own preferred drug list, including a partnership with UNM College of Pharmacy for drug utilization committee based on medication efficacy as opposed to current system that considers only rebate dollars