



# Pharmacy Benefit Managers (PBMs)

## PBM 101: Helping Consumers Access Affordable Medication

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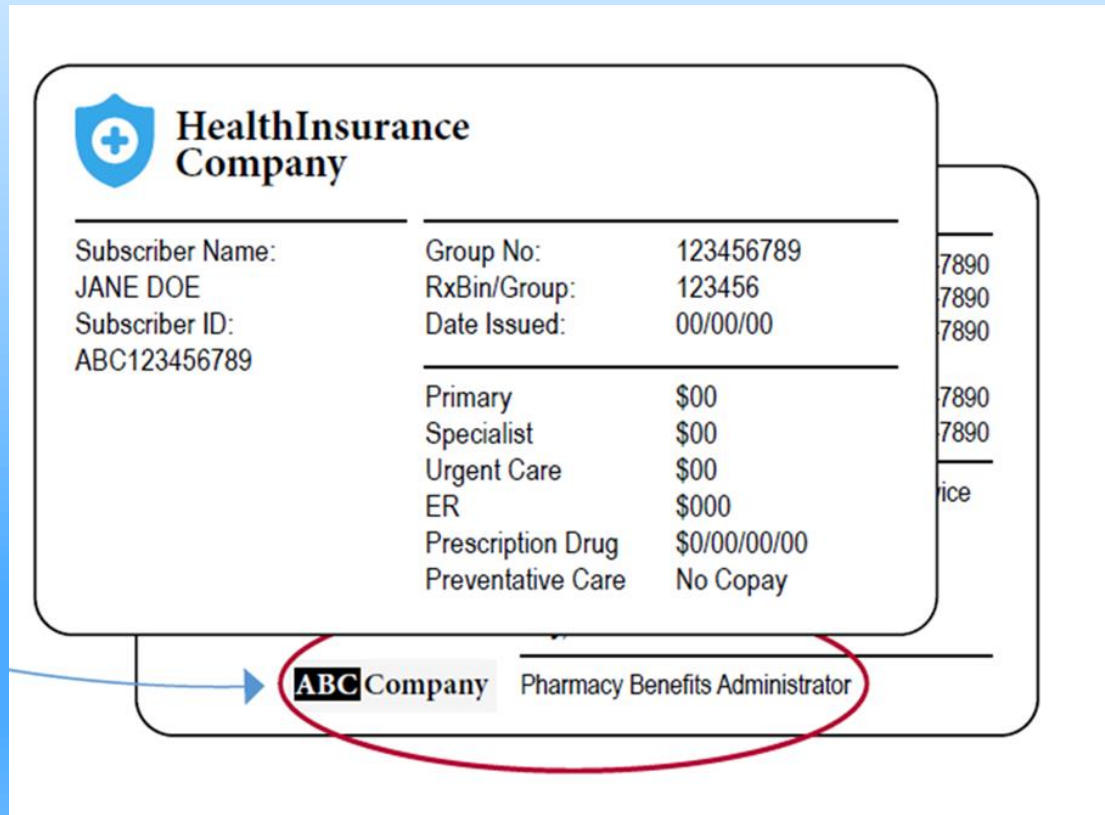
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Committee on Insurance and Financial Services

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Pharmaceutical Care Management Association  
(PCMA)

# What is a PBM?

- PBM administers the prescription drug portion of the health care benefit.



# Who Are PCMA Members?

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# PBM Marketplace Is Highly Competitive

The PBM market is dynamic, diverse, and continues to grow. As of March 2023, there are:

**73** full-service PBMs & **6** new full-service PBMs since 2021

Creating a varied and competitive marketplace

PBM business models vary, but in general, they do the following:

Secure prescription drug savings for employers and other health plan sponsors, patients, and taxpayers.



Provide health plan sponsors a range of choices for quality prescription drug coverage.

Enable better health outcomes for patients by supporting patient safety and drug adherence through clinical programs and technology.

Visante, "The Return on Investment (ROI) on PBM Services," 2023. Source: PSG Analysis, 2023. PBMs in this analysis offer only full range services.

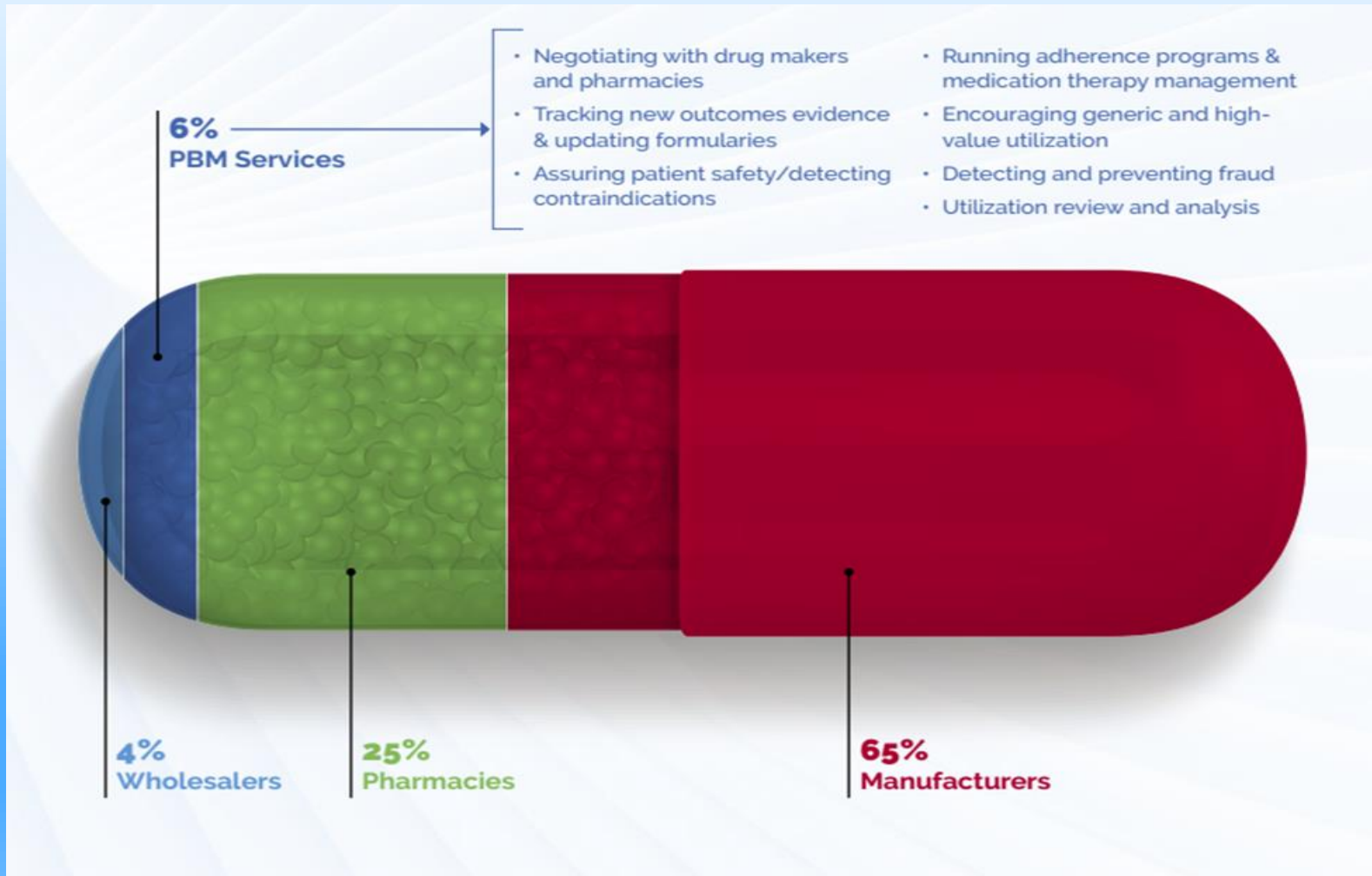
# Who Are PBM Clients?



# Three Things to Remember About PBMs

1. PBMs are the only entity in the drug supply chain dedicated to seeking lower costs
2. No one is mandated to use a PBM
3. PBMs account for 6 cents of the dollar spend on prescription drugs

# 90% of the Rx Dollar Is Retained by Drug Manufacturers and Pharmacies



Source: Visante estimates, based on data published by IQVIA, Pembroke, Altarum, USC Schaefer and Health Affairs. Figure displays estimated total net expenditures (after rebates), both brands and generics. Includes only traditional PBM services, and excludes prescriptions filled by PBM-owned mail/specialty pharmacies, which cost less than retail but provide added margins to PBMs who own mail/specialty pharmacies.

# What PBMs DO and DON'T DO

## DO

- ✓ PBMs provide lower costs for prescription drugs.
- ✓ PBMs administer the prescription drug portion of the health care benefit for employers and customers
- ✓ PBMs perform a variety of services to ensure high-quality, cost-efficient delivery of prescription drugs to consumers

## DON'T DO

- ✗ Set the list price of drugs
- ✗ Allow you to take drugs that will be harmful or negatively interact with other drugs
- ✗ Allow you to take a drug for the wrong reason



# Pharmacy Benefit Management Services



Claims Processing



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers and Drugstores



Formulary Management



Pharmacy Networks



Mail-service Pharmacy



Specialty Pharmacy



Drug Utilization Review



Disease Management and Adherence Initiatives

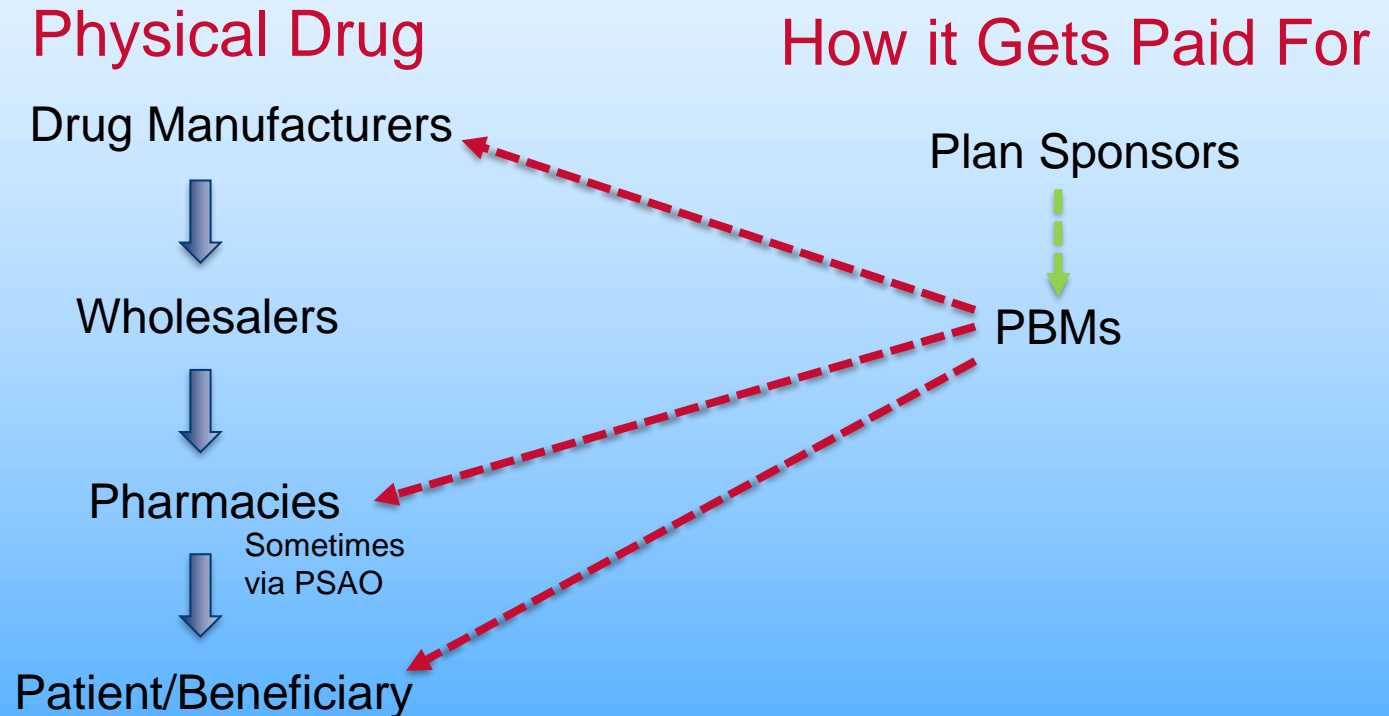
# How Do PBMs Get Compensated?



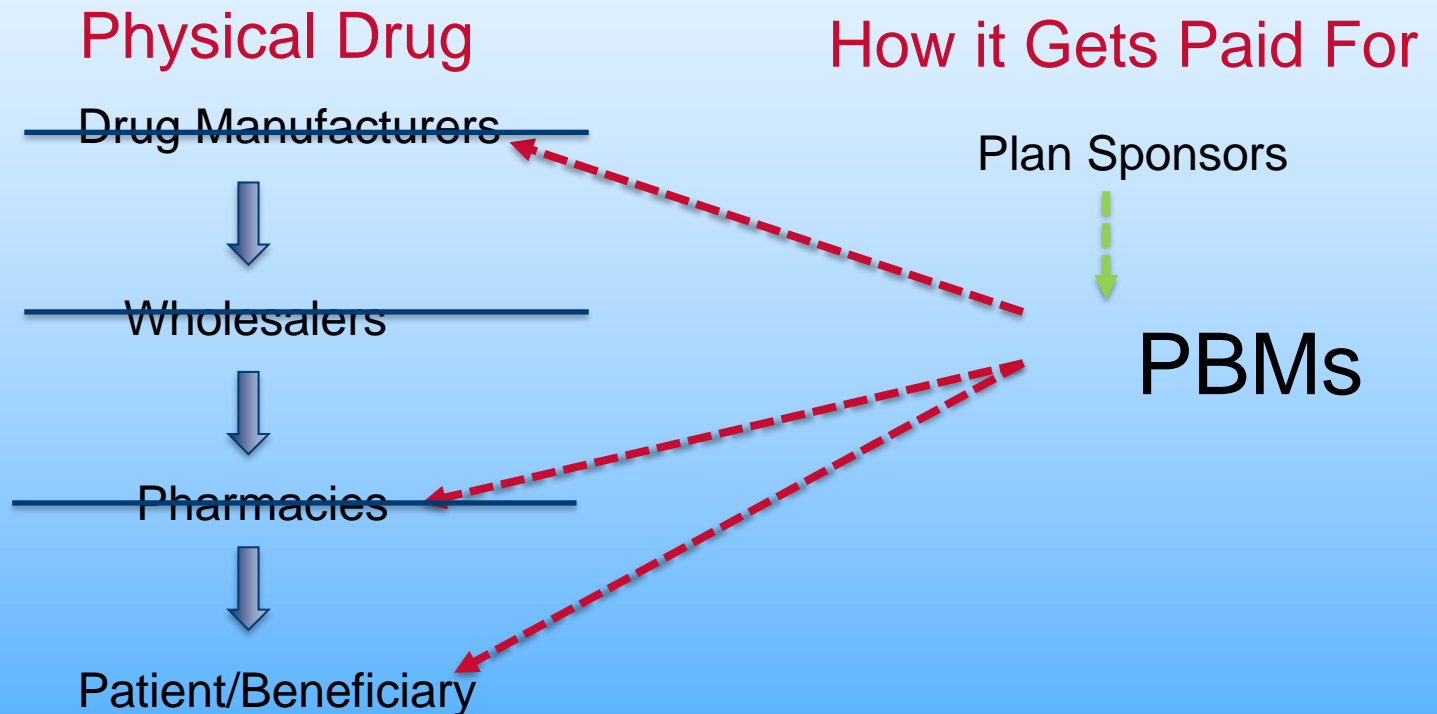
Some combination of the following options include:

1. Spread Pricing
2. Rebate Retention
3. Administrative Fee

# Drug Supply Chain



# Who's Working to Reduce Costs?



## Notable Metrics

**40%**

**\$1,040**

**\$10**

**3/4**

# 40%

PBMs help save patients and payers 40–50% on their annual drug and related medical costs compared to what they would have spent without PBMs.

## Improve Health Care Quality and Patient Outcomes

- Reduce medication errors through use of drug utilization review programs.
  - Over next 10 years, PBMs will help prevent 1 billion medication errors.
  - Improve drug therapy and patient adherence, notably in the areas of diabetes and multiple sclerosis.
- Manage programs to address opioid use issues.

# \$1,040



## PBM savings

PBMs are projected to save employers, unions, government programs, and consumers an average of \$1,040 per person per year.



**\$1,040**  
**PER PERSON**  
**PER YEAR**

# \$10

*Payers and Patients Spend \$1 on PBMs to Save \$10*

For each \$100 in prescription drug expenditures...

PBMs Gross Margin  
\$6 <sup>1</sup>

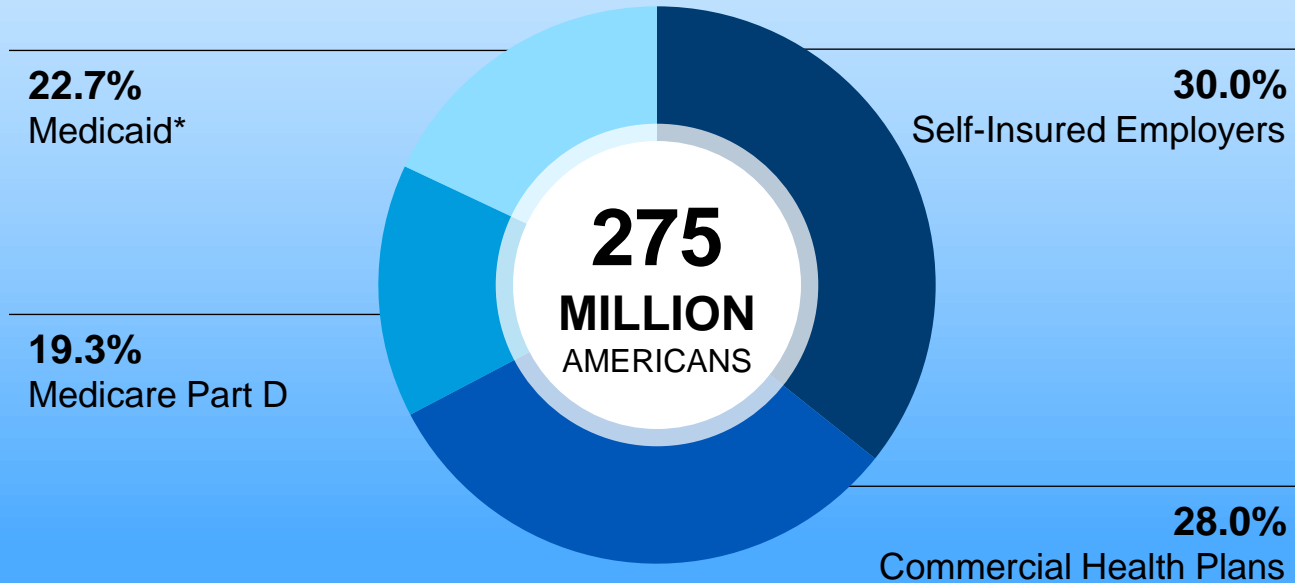
Costs Would Be More  
Than \$60 Higher  
Without PBMs <sup>2</sup>

The ROI on PBM  
Services Equals  
More Than 10:1



# 3/4

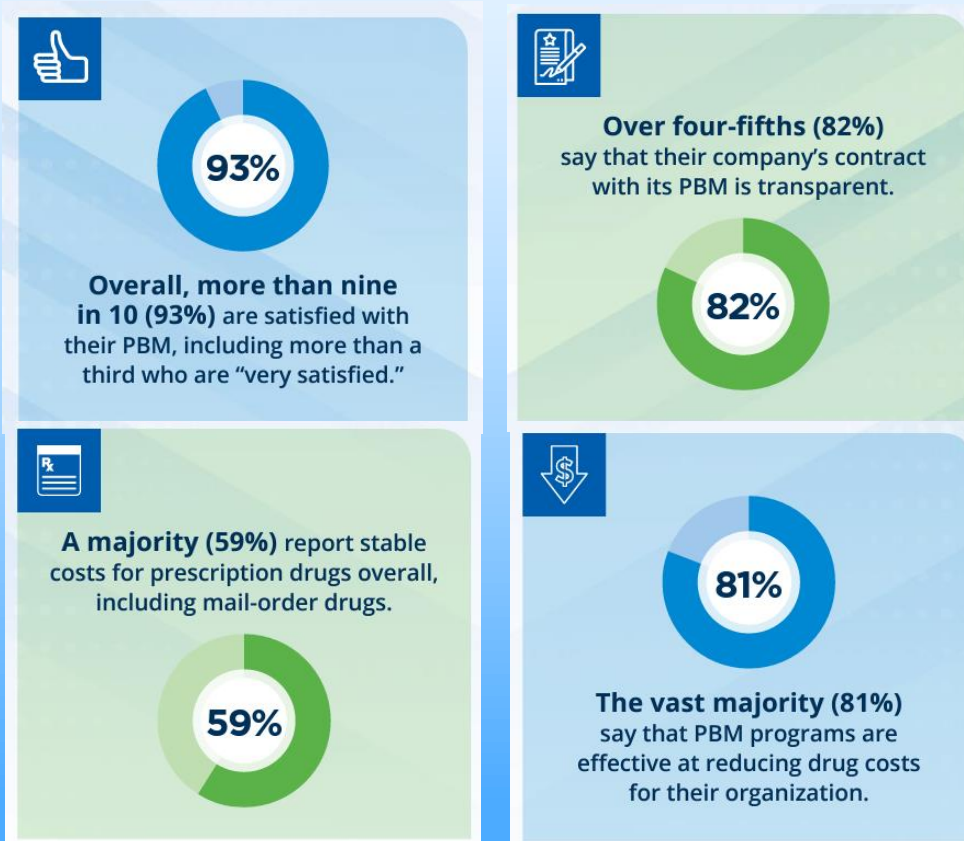
More than **275 million Americans** receive pharmacy benefits provided through PBMs



\*Excludes Medicare-Medicaid Dual Eligibles where drugs are covered by Medicare Part D.

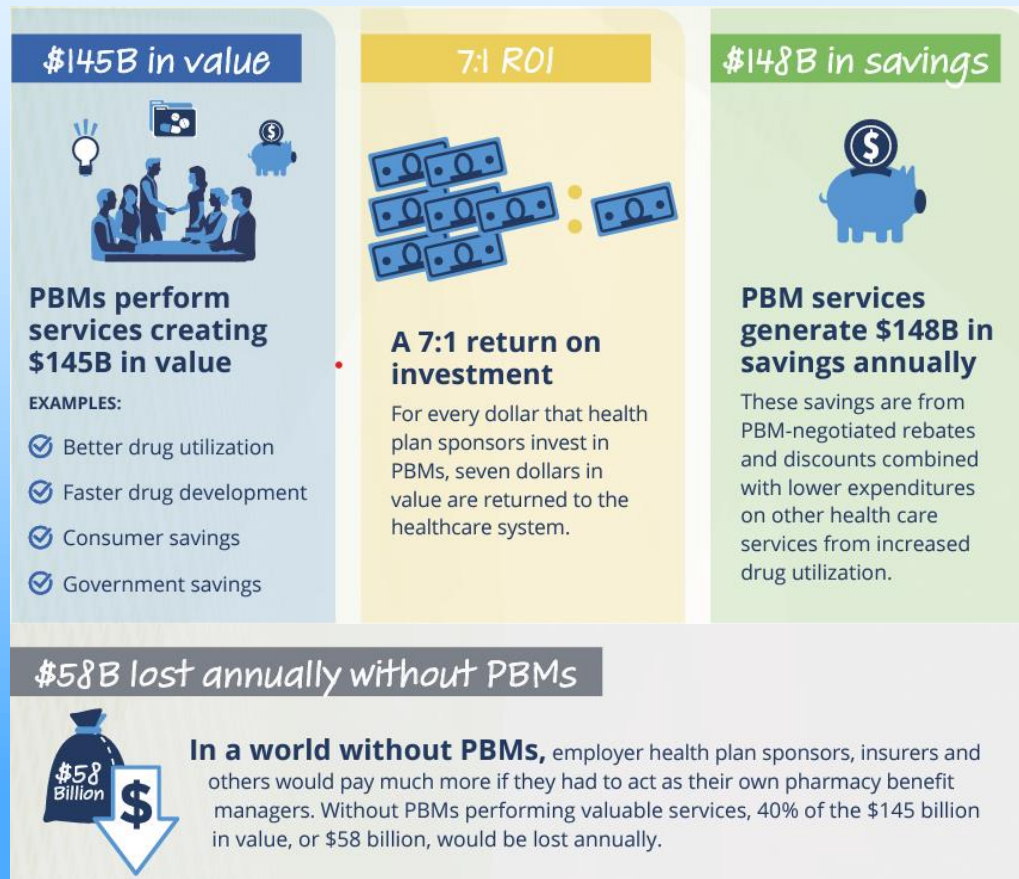
Source: Visante estimates prepared for PCMA, 2023.

# Employers Are Overwhelmingly Satisfied With Their PBMs



Methodology: The national survey was conducted online by North Star Opinion Research between June 4–9, 2020 consisting of 250 respondents drawn from a list of benefit managers and human resources directors who work for companies with 1,000 or more employees, have at least 1,000 individuals under coverage, and have an annual drug spend of over one-million dollars.

# PBMs Create \$145 Billion In Value To Society Annually



# Patient Savings and Independent Pharmacy Access in Michigan

PBMs are advocates for patients in the fight against high drug costs

PBMs cover  
**9,219,000**  
Michiganians.<sup>1</sup>

PBMs will save Michiganians  
**\$33.25B**  
across all Michigan insurance  
markets over ten years  
(2023–2032).<sup>2</sup>

PBMs will save Michiganians  
**\$2.25B**  
over a 10-year period  
(2023–2032) in  
Michigan Medicaid.<sup>2</sup>

PBMs save payers and  
patients an average of  
**\$1,040 per person per year.**<sup>3</sup>



PBMs drive prices down  
by forcing manufacturers to  
compete with one another.

## SAVINGS ARE REALIZED THROUGH:

↓  
Encouraging the  
use of generic  
and lower cost  
brand drugs

↓  
Reducing waste  
and increasing  
adherence

↓  
Negotiating price  
concessions with  
drug manufacturers

↓  
Creating networks  
of affordable,  
high quality  
pharmacies

↓  
Providing clinical  
support to patients  
taking specialty  
medications

**“The demise of independent community pharmacy has been greatly exaggerated.”**

~ The Marwood Group ~

**Nationwide, the independent pharmacy marketplace is stable.**<sup>4</sup>

In Michigan, between 2013 and 2023, **the number of independent pharmacies grew from 926 to 1,097, an 18.5% increase.**<sup>5</sup>



**47% of pharmacies in Michigan are independent pharmacies.**<sup>5</sup>

Independent pharmacies say they're getting squeezed out of business, but according to NCPDP data and the National Community Pharmacists Association (NCPA), the number of independent pharmacies has generally been stable. **The NCPA found that in the last year, the number of independent pharmacies “was essentially flat,” demonstrating a stable marketplace.**<sup>6</sup> Adam Fein's Drug Channels also found that the independent pharmacies' financials have also been steady. From 2016 to 2020, the average per prescription gross profit margin for independent pharmacies ranged from 20.8% to 21.1%, showing little fluctuation.<sup>7</sup>



**Thank you!**

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