



Pharmacy Benefit Managers - Role in Drug Spending

House Rural Development
Council

10.25.23

Key Topics

- What is PBM
- Georgia PBM Legislative History to Now
- ERISA
- PBMs and The Rural Community



What Is a PBM?

What is a PHARMACY BENEFIT COMPANY?

Pharmacy benefit companies manage prescription drug benefits for more than 275 million Americans, including for public and private sector employers, government programs like Medicare and Medicaid, retirees, health insurers, labor unions, and state employees.

Today 73 PBMs with varying business models compete in the U.S. for customers, based on service, scale, and savings.



Why Hire A PBM?

Pharmacy benefit companies are working every day to **secure savings, enable better health outcomes, and support access to quality prescription drug coverage** for patients, families, employers, and taxpayers



PBMs negotiate rebates for some brand and generic drugs



PBMs enable patient access



PBMs play a unique and central role in **driving adherence, holding down costs, and increasing quality**



PBMs drive better health outcomes



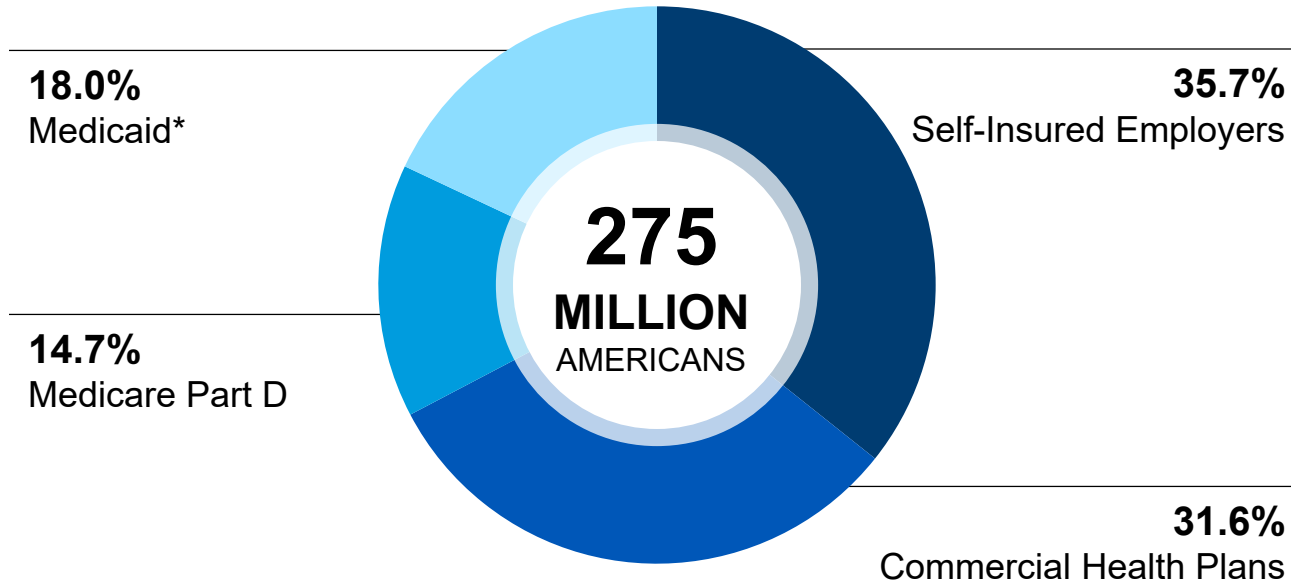
PBM tools **deliver savings** for plan sponsors and patients



PBMs deliver savings

PBMs' National Footprint

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, 2016.

Pharmacy Benefit Management Services



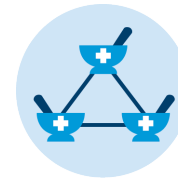
Claims Processing



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers and Drugstores



Formulary Management



Pharmacy Networks and Provider Education



Mail-service Pharmacy



Specialty Pharmacy



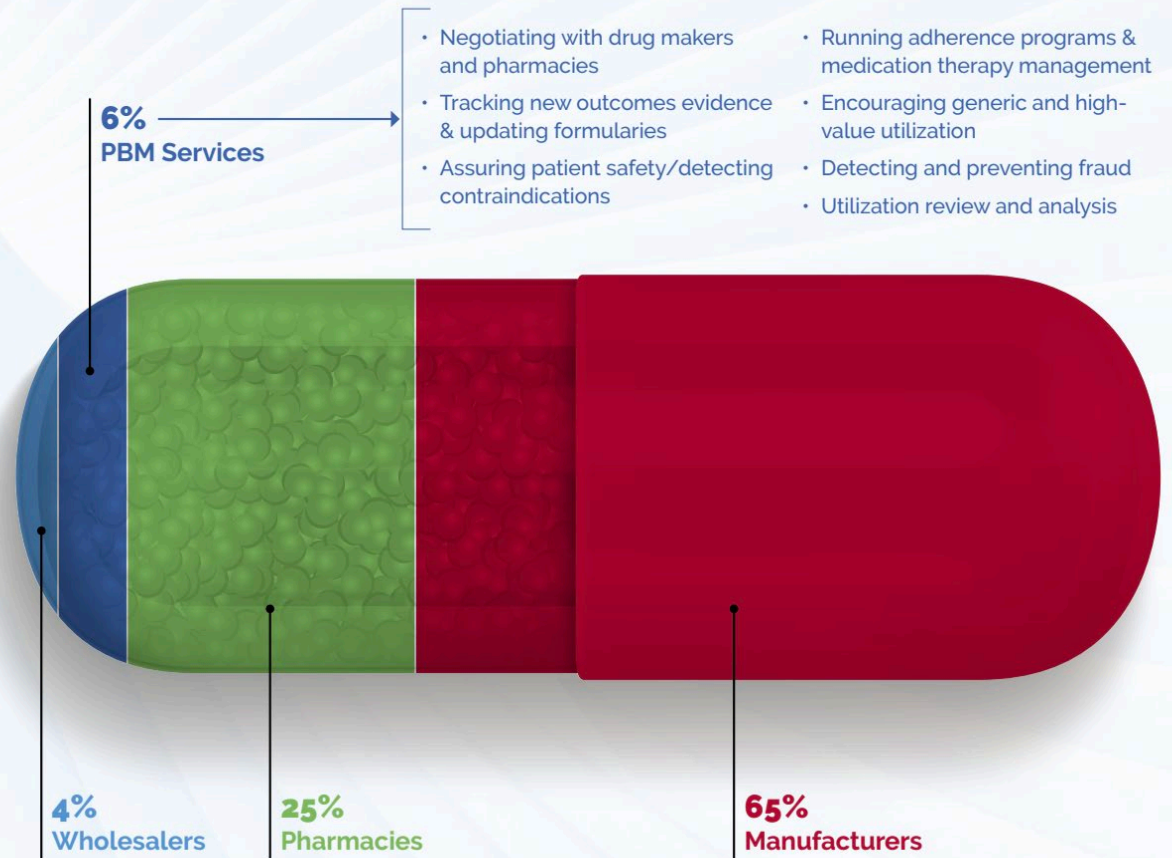
Drug Utilization Review



Disease Management and Adherence Initiatives

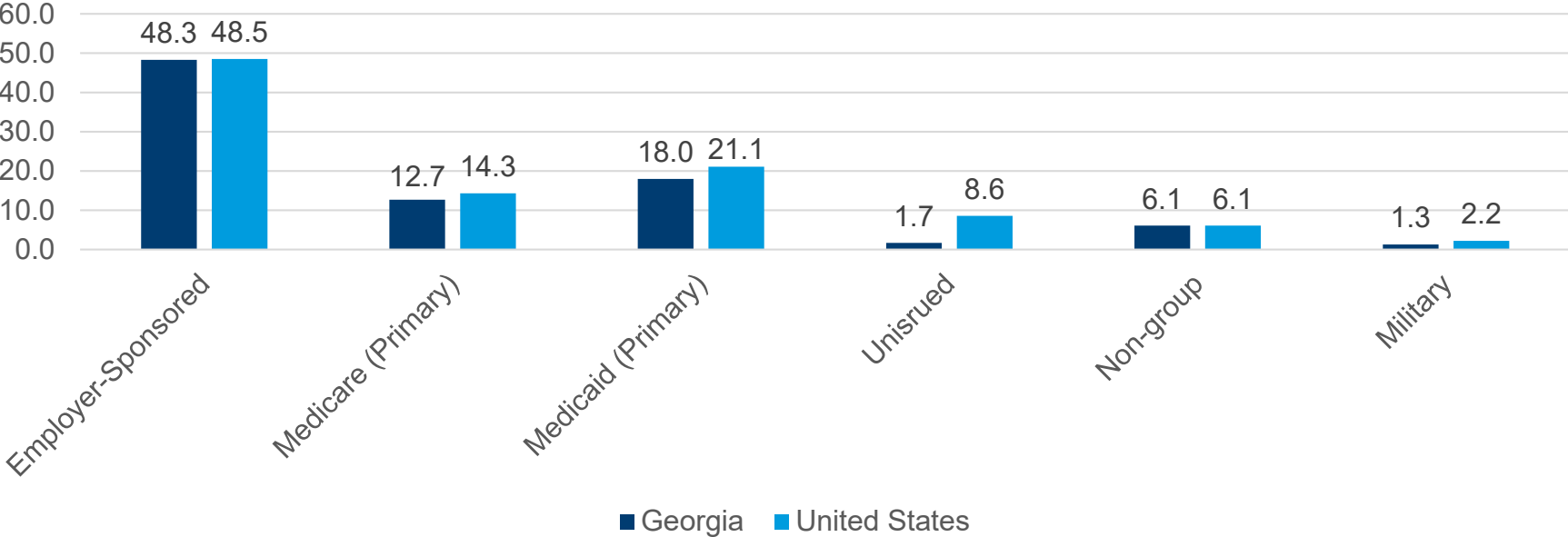
Share of Drug Dollar Retained by Drug Supply Chain Participants

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



Accessibility Requires Coverage

Share of Total Population by Coverage Type, 2021



PBM Savings and Patient Impact in Georgia

Pharmacy benefit experts secure lower prescription drug costs and enable better health outcomes for patients.

PBMs will save Georgians

\$29.44B

across all Georgia insurance markets over ten years (2023–2032).¹

PBMs will save Georgians

\$1.32B

over a 10-year period (2023–2032) in Georgia Medicaid.¹

PBMs cover

8,911,000

Georgians.²

PBMs save payers and patients an average of

\$1,040

per person per year.³

The use of PBM tools will save payers and patients nationally more than

\$1 trillion

from 2023–2032.¹



CLINICAL CARE:

Pharmacy benefit companies use clinical data to support decision-making and help patients stay on course with their prescription therapy through evidence-based medication adherence and health coaching programs.

PBMs improve drug therapy and patient adherence in patients, helping to **reduce** complications annually of:³

- » 500,000 emergency department visits
- » 440,000 heart attacks
- » 330,000 strokes
- » 150,000 amputations
- » 60,000 incidents of end stage kidney disease



ADHERENCE PROGRAMS:

PBMs monitor and engage with patients to help them stay on their drug course.

- » **Diabetes:** PBMs monitor and measure a patient's glucose levels through "smart glucometers" and conduct outreach if patients need medication support.⁴
- » **Asthma:** PBMs track asthma patients' adherence by sending at-risk patients a device to attach to the top of their inhalers, which monitors usage and dosage.⁵



PATIENT SUPPORT PROGRAMS:

PBMs offer affordable access to drugs and engage directly with patients on care.

- » PBMs include chronic condition medications on lists of drugs for preventative treatment for which patients pay either no cost sharing or bypass their deductible and pay only their cost sharing.⁶
- » PBMs certified care and education specialists deliver individualized education and case management to patients.⁷

¹ Visante. "PBMs: Generating Savings for Plan Sponsors." January 2023.

² Visante analysis of US Census state population data, CMS enrollment data, and Kaiser Family Foundation data, see "The Return on Investment (ROI) on PBM Services." January 2023.

³ Visante. "The Return on Investment (ROI) on PBM Services." January 2023.

⁴ PCMA. "PBMs Support Patients With Diabetes." 2022.

⁵ PCMA. "PBMs Help Patients With Asthma Breathe Easier." 2022.

⁶ IRS. "IRS expands list of preventive care for HSA participants to include certain care for chronic conditions." 2019.

⁷ RTI International. "Expanding Awareness and Knowledge of the Value of Pharmacy Benefit Manager Clinical Programs." Unreleased, 2021.



Georgia Legislative History to Now...

Georgia Legislative Action

- 14 Laws on the books related to PBMs
 - Anti Steering Laws – Transparency
 - Most recent update in 2020
- 2023 Legislative Session
 - POS Rebate Bill
 - White Bagging Legislation
- Attempts to Regulate ERISA Plans

Georgia Coverage 2022: Snapshot

- 2021 Median Income: **\$ 67,730**
 - Average household: **2.67**
- Average Insurance Premium for Families in Employer-Sponsored Plans: **\$22,220**
- Average Employer Contribution for Premiums: **\$14,691**

32.8%

Total premiums as a percentage of median income



ERISA

ERISA

- The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for most voluntarily established retirement and health plans in private industry to provide protection for individuals in these plans.
- Supreme Court Decisions
 - Gobeille v. Liberty Mutual Insurance Company – 2016 Decision
 - ERISA pre-empts a Vermont law that requires certain entities, including health insurers, to report payments relating to health care claims and other information relating to health care services to a state agency for compilation in an all-inclusive health care database.
 - Rutledge v. PCMA – 2020 Decision
 - The Court said Act 900 is simply a “cost regulation,” which is something states are typically allowed to do, even when it impacts an ERISA plan’s costs. The Court concluded that this surcharge was merely a form of “cost regulation” that is not preempted by ERISA. The Court did not overturn the lower court’s decision that Act 900 is invalid on Medicare plans

ERISA

- Oklahoma 10th Circuit Court
 - PCMA v. Mulready – 2023
 - In a unanimous decision, the court sustained PCMA's challenge to four provisions of a misguided Oklahoma state law by finding them to be preempted under ERISA and the Medicare Part D program
 - Ruling preserves the ability of U.S. employers, unions, and Part D plan sponsors to design and administer health benefits in the way that best meets the needs of employees, seniors, and their families.
 - Oklahoma has petitioned a rehearing en banc in the 10th circuit.



PBMs and The Rural Community

How PBMs Work with Independent Pharmacists and the Rural Community

1. Network Adequacy Requirements by CMS
 1. Independent Pharmacies are critical to PBM network adequacy requirements (75% of the population in rural areas within 15 miles of a pharmacy location)
2. PBMs are designing programs that create incentives for Independent Pharmacies that drive adherence and positive patient health outcomes.
3. New data suggest that PBMs generally reimburse independent pharmacies at a higher rate than retail pharmacies (official study underway now)

Dr. Lawton Burns - University of Pennsylvania, Wharton School Director Healthcare Management and Economics



“PBMs get drug makers to compete on price and get pharmacies to reduce their fees. PBMs also compete with one another in terms of claim processing fees and a host of client services to get contracts with insurers and employers. They are, thus, pro-competitive.”

*~ Lawton Robert Burns, The Healthcare Value Chain;
Demystifying the Role of GPOS and PBMS*

PBMs Create \$145 Billion In Value Each Year



In pursuit of better value for their members, plans consistently retain PBMs to help design their benefit, negotiate prices, and process claims... While PBMs obtain significant savings for their clients – health plans and ultimately patients, PBM services also expand the economic pie in prescription markets. They actively encourage proper utilization and adherence as well as help to remove patient barriers such as high prices, inaccurate drug information and misaligned incentives to initiate and complete courses of treatment. These are net benefits in terms of better health and patient convenience, only part of which is savings in the form of reduced health expenditure.

~ Casey B. Mulligan, *The Value of Pharmacy Benefit Management*,
National Bureau of Economic Research, July 2022

https://www.nber.org/system/files/working_papers/w30231/w30231.pdf



Thank You

Michael Power
October 25, 2023