**Background:** PBM

PBMs serve as middlemen between payers and pharmacies, managing the pharmacy benefits for nearly 95 percent of all Americans with medical coverage. PBMs are active in most aspects of prescription drug benefit administration, including: processing claims to pharmacies, drug utilization review (DUR), developing and managing formularies, negotiating with prescription drug manufacturers for rebates, operating mail order pharmacies to fill prescriptions directly, therapeutic interchange and reimbursement of providers and patients. Although PBMs provide a useful service in managing prescription drug benefits, their activities often go beyond their original intent and may include questionable practices. Frequently, the plan sponsor (payer) is not fully aware of all the specifics of these contract terms and may be paying more because of this. Some examples include: the PBM may be accepting rebates from manufacturers in return for placing higher priced medications on the preferred formulary for the plan, favoring drugs that provide PBMs with greater margins by switching customers to the higher-cost medication sometimes without their knowledge, creating a “spread” between prices charged to the payer and the price reimbursed to the pharmacy without disclosing this spread to the payer and repackaging medications into different quantities to generate a whole new price base. Additionally, Maximum Allowable Cost (MAC) language is included in the legislation to provide clarity to plan sponsors and pharmacies on how MAC pricing is established by a PBM. A MAC list refers to an arbitrarily generated list of generic drugs for which the PBM establishes the maximum amount they will pay the pharmacy, without regard to the price at which pharmacies may purchase the drug.

**Status:** Senator Robert Tomlinson (R-Bucks) has introduced SB 1089 in the Senate. SB 1089 resides in the Senate Consumer Protection & Professional Licensure Committee. A House bill on this issue may be introduced in the very near future.

**Action Needed:** PPA is requesting your support and that SB 1089 be voted out of the Consumer Protection & Professional Licensure Committee in the very near future.

**Important Points:**

- PBMs are not currently regulated in Pennsylvania
- Seventeen states have passed some form of regulation/transparency laws
- Six states have enacted some form of MAC transparency laws
- PBMs receive rebates from pharmaceutical companies for often favoring preferred drugs on their formulary
- PBMs frequently require patients to switch drugs so that they have to take a drug which the PBM has negotiated a higher rebate
- PBMs reimburse pharmacies one rate but charge a higher rate to the payer—and pockets the “spread” between the two prices
- PBMs sell patient-related data to various sources—including pharmaceutical companies—which is used to influence prescribing practices
- Substantial enforcement actions have been brought against each of the major PBMs by government and private entities alleging fraudulent and deceptive conduct—resulting in the payment of over $370 million in damages

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