



PBMs: A Critical Tool to Negotiate Lower Rx Prices

The rising cost of prescription drugs is unsustainable not only for Texas families but for Texas businesses and our state's economy. For the first time ever, the amount insurance companies pay for prescription drugs outweighs what they pay doctors for their services. Prescription drug spending is growing faster than any other part of the health care dollar (currently accounts for 24 percent of every \$1 a consumer spends on health insurance). As the issue of skyrocketing pharmaceutical costs continues to be debated at the federal and state level, one critical tool that

must be strengthened to keep prescription costs low is the use of pharmacy benefit managers (PBMs).

A PBM is a third-party administrator that manages the prescription drug benefit of individual health plans, employer-sponsored plans, and government-sponsored health plans such as Medicaid and Medicare. PBMs aggregate the buying clout of millions of enrollees, enabling plan sponsors and individuals to obtain lower prices for their prescription drugs.

The scale and clinical expertise that PBMs provide is projected to save employers, unions, government programs and consumers \$654 billion – up to 30% – on drug benefit costs over the next decade.

TAHP Supports PBM Efforts to Negotiate Lower Rx Prices

TAHP supports health plans' and PBMs' use of private market solutions and competitive negotiations to provide affordable drug coverage to Texans and Texas businesses.

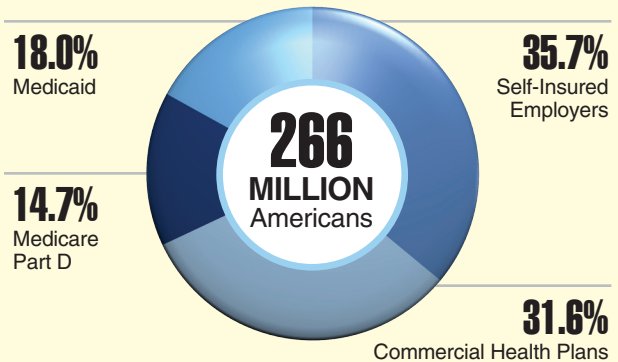
TAHP opposes government mandates, including contract mandates, that undermine competition in the private market and increase the cost of drug coverage for Texans:

- **Any Willing Provider or Pharmacy Laws (AWP)** – Force health plans to contract with any willing provider or pharmacy regardless of whether it is the highest quality candidate available, whether there is already enough patient access, or whether adding the pharmacy will increase the cost of health care for consumers and businesses. Health plans and PBMs use the leverage of preferred provider or pharmacy networks to negotiate lower prices for consumers. AWP mandates remove that negotiation tool, and according to the Federal Trade Commission (FTC), “result in higher health care expenditures” and reduced competition.
- **Proposals to Limit Mail-Order Pharmacies** – Highly efficient mail-order pharmacies save an average of 16% on prescription costs compared to retail pharmacies. Not only are they more affordable, mail-order pharmacies also increase medication adherence for consumers, which leads to stronger health outcomes and helps prevent hospital and ER admissions. Limiting the use mail-order pharmacies limits affordable options for Texans.
- **Proposals to Limit Specialty Networks** – Health plans and PBMs establish and manage specialty pharmacy networks to track highly advanced specialty drugs, which can cost tens of thousands of dollars and are being used more and more in place of traditional pills, capsules and elixirs. Specialty networks are an effective means of controlling costs and ensuring the safety and integrity of specialty drugs.
- **Proposals That Obstruct Competitive Bidding** – A healthy marketplace allows for competition to ensure that the highest-quality and most affordable entities succeed. Health plans and PBMs are increasingly using competitive bidding to negotiate better deals with drug makers. Proposals that stand in the way of these negotiations result in higher prices for consumers. Recent research has shown that restrictions to MAC lists could increase the cost of generic prescriptions by 31% to 56%, increasing national expenditures by \$5.5 billion annually.

PBMs Keep Prescription Drug Coverage Affordable for Consumers and Employers

- PBMs save consumers and payers up to **30% on average on the cost of prescription drugs.**
- PBMs will save employers and consumers **\$654 billion on prescription drugs over a decade (2016-2025).**
- Employers can create **20,000 jobs for every 1% PBMs** save in prescription drug costs.
- PBMs' use of mail-order pharmacies will save employers and consumers more than **\$60 billion over a decade.**
- PBMs' use of specialty pharmacies will save employers and consumers more than **\$250 billion over a decade.**

More than **266 million Americans** receive pharmacy benefits provided through PBMs



PBMs' Time-Tested Tools

Health plans and PBMs use a number of drug management tools to reduce drug costs and keep prescription drug coverage affordable for consumers and employers.

- **Establishing Competitive Networks:** PBMs establish a network of pharmacies—including mail-order pharmacies—that compete to be in a health plan's network. Pharmacies agree to negotiated discounts for health plan members in order to be in a network. Nationally, PBM networks include nearly all chain pharmacies, and the majority of PBMs contract with 90% of pharmacies in the regions they serve. This allows patients the ability to fill their prescriptions at a wide choice of pharmacies.
- **Encouraging the Use of Generics:** PBMs encourage the use of lower cost generic drugs to keep prescription drug coverage affordable. Generic drugs on average cost 85% less than identical brand-name counterparts. Generic drugs make up nearly 90% of the prescription drug volume but only 28% of total prescription spending, saving the U.S. health care system \$254 billion in 2014.
- **Negotiating Rebates and Savings:** PBMs help achieve additional cost-savings by negotiating rebates and savings from drug manufacturers. Manufacturers compete for placement on a health plan or PBM's covered formulary (a list of drugs the health plan covers) by offering rebates and discounts that reduce the net cost of the drug. A health plan's formulary in turn steers patients to the best value and least costly medications that are clinically effective for treating their health condition.
- **Reducing Waste and Improving Adherence:** PBMs use drug utilization review programs to improve quality and safety by preventing drug duplication, drug interaction, and drug overuse. PBMs also use tools to increase appropriate utilization through improved adherence to drug therapy for chronic diseases, including dispensing prescriptions that last 90 days, instead of 30 days.

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