



COMMON MISCONCEPTIONS ABOUT THE DRUG PRICING SYSTEM

PBM
ACCOUNTABILITY
PROJECT OF OHIO

There is a lot of public confusion about what Pharmacy Benefit Managers (PBMs) actually are and what role PBMs play in the prescription drug marketplace.



1 PBMs save patients and states billions of dollars:

PBMs are actually overcharging Ohioans **3 to 6 times** the normal rate. This costs our state an extra **\$150 million to \$186 million a year**. A data analysis found that for every dollar in discounts that drug manufacturers give to PBMs for a brand-name drug, the list price goes up **\$1.17**. That increase is felt by uninsured people paying full price and by people whose coinsurance and deductibles are based on the list price.



2 PBMs keep large pharmaceutical companies in check:

PBMs claimed that the value they provided lay in preventing drug manufacturers from making excessive profits. But today, PBMs are making the highest rates of profit of any corporations in the prescription drug supply chain. PBMs have become so profitable over time, they are among the Fortune 25 companies – ranked higher than the drug manufacturers they were meant to control. In fact, the Ohio State Auditor found that two big PBMs earned over \$223 million in hidden upcharges between April 2017 and March 2018 from the Ohio Medicaid program alone.



3 There are many PBM companies competing against each other:

Three major PBM companies make up more than 75% of the market. With such little competition, PBMs can continue to drive up costs with little to no consequences.



4 States and employees can easily ensure they get the rebates they deserve:

Manufacturers provide discounted medicines to PBMs (otherwise known as rebates) – but PBMs aren't sharing those savings with payers. Since the drug pricing system is so murky and complex, PBMs often reap excess profits at the expense of Ohioans.



5 Any major reforms to the PBM rebate process would increase costs and decrease benefits for patients:

State policymakers are examining innovative approaches to fix this system by assuring that savings negotiated with prescription drug manufacturers are actually passed through to patients. New Jersey created a groundbreaking reverse auction procurement process to reduce its spending on prescription medicines by **\$2.5 billion over five years**.

The drug pricing system is complicated, murky, and confusing. The PBM Accountability Project of Ohio is working to bring more clarity, transparency, and – most importantly – savings to Ohio patients, families, and communities.

Sources:

<https://stories.usatodaynetwork.com/sideeffects/>
<https://www.drugchannels.net/2019/05/cvs-express-scripts-and-evolution-of.html>

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