

# PHARMACY BENEFIT MANAGERS

## ARE THEY ADDING VALUE TO YOUR HEALTH PLAN?

**Limited price transparency. Lack of competition. Changing formularies. Spread pricing.**

These are just some of the issues that employers face with the pharmacy benefit managers (PBM) used to administer prescriptions for their health plans.

In fact, a recent survey published by [Formulary Watch](#) said U.S. employers were not confident in PBM practices — and more than half (51 percent) have questions about their integrity and administration.

**Sixty-nine percent**  
*of Americans think PBMs overcharge.*

**Sixty-three percent**  
*of Americans think they operate with little-to-no price transparency.*

So how can employers reevaluate their PBMs to make sure they provide value for their health plans as well as enhanced well-being for their employees?

### 1. Get educated

While your advisor can often fill you in on PBM trends and details, it's also important for you and your benefits staff to stay in the know about the current landscape for PBMs. Learn what models are available, beyond the one you may be using, as well as what benefits and services each one may offer your organization, and if new or different contacts are coming to market. Also, be aware of laws that regulate how PBMs work and understand how changes or new legislation may impact drug benefits in your health plan.

#### Quick quiz: Does your PBM align with your health plan goals?

- ✓ **Traditional model**  
Key feature: usually manages drug pricing by offering discounts and rebates but employers don't know how much they actually keep/earn. Not transparent.
- ✓ **Pass-through model**  
Key feature: passes 100 percent of rebates and discounts from drug manufacturers along to the plan but charges an admin fee as its only source of income. Completely transparent.
- ✓ **Hybrid model**  
Key feature: blends aspects of both pass-through and traditional models. May pass-through some rebates to the plan but may also charge fees and receive spread pricing. States revenue activities up front, not necessarily how much it keeps. Somewhat transparent.

## 2. Audit your PBM contract

If you haven't had one recently, arrange to do one on your PBM in house or hire a third party to help you. Careful, line-by-line audits can help you understand:

- What your current contract terms and conditions are and if they align with what your PBM delivers
- What guarantees are offered
- What metrics or KPIs will be used to measure and monitor success for your plan

As a result, an audit can help you determine whether you want to stay with your PBM once the contract ends or seek more favorable terms by moving to a different one.

*Collectively, U.S. employers spend more than \$400 billion a year on pharmacy benefits and cover more than 45 million workers.*

## 3. Conduct an RFP

If you decide to look for another PBM, solicit competitive bids through a methodical RFP process. By defining your goals, expectations, and requirements, you can gain an insightful opportunity to:

- Evaluate proposals to see how each one may (or may not) align with your specific needs.
- Conduct due diligence on other PBMs to understand their business practices and how they may impact outcomes and cost containment for your organization's health plan.
- Compare the cost of drugs, discounts, rebates, and management fees, as well as price transparency, clinical programs, and services provided under each PBM.
- Gain wider optics into the flow of money among different players in the PBM system to reveal potential cost-savings and (hopefully) negotiate better terms.

*"Just three PBMs control 80 percent of the market... CVS Caremark, Express Scripts, and Optum Rx."*

Source: [Committee on Oversight and Accountability](#)

## 4. Assess wellness program(s) provided by your PBM

The overall health of your employees can also drive down drug utilization. So find out what solutions, if any, your PBM offers that can help ensure employees take their medications as prescribed and minimize waste. Is step therapy used? Are the protocols for prior authorization adhered to? Are disease management programs offered? Also, look at how they engage participants or employees in the health plan. All these factors can help maintain clinical continuity and contribute to keeping regular drug costs down.

### **Helping reduce use of diabetes meds: Virta Health**

*Does your PBM offer disease management programs? Programs like Virta Health, for instance, create a new standard in medical care for people living with type 2 diabetes and prediabetes. Dedicated to reversing the disease in more than 100 million Americans, it combines nutrition and technology to offer personalized care plans with reduced dependence on medications to help people lose weight.*

## 5. Review quarterly reports

Beyond annual reviews, it's important to run quarterly reports with your advisor. Not only review the medications that were dispensed, but also check for the rebates due from your PBM and see when and how often they flow to your bank account. Are you receiving them when you should be or is there a lag? The goal is to get them as soon as possible according to the terms of your contract.

In addition, include your in-house medical director and pharmacist in quarterly reviews to discuss and analyze claims data — and get their informed insights about what may be going on in your health plan.

## 6. Consider alternatives

Promising more accountability and greater transparency over current models, alternatives are coming to market to challenge “the big three” with new ways to manage the use and costs of prescriptions. Navitus and EmsanaRx are two examples that pass 100 percent of discounts negotiated with drug makers to employers, who pay a set fee for the administration of their pharmacy benefits not a percentage of the discounts. Others eliminate the role of the PBM or “middleman” and offer direct-to-consumer pharmacy initiatives. Mark Cuban's Cost Plus Drug Company, for instance, offers more than 100 generic medications directly to patients at wholesale prices.

**Ultimately, a strategic evaluation of your PBM can help yield significant cost savings and enhance the overall value to your health plan.**

**LET'S WORK TOGETHER TO GET YOUR EMPLOYEES THE  
MEDICATIONS THEY NEED AT A PRICE YOU CAN AFFORD.**

