Pharmacy Benefit Managers Are Driving Up Drug Costs for Patients

One of the most significant costs to American patients is prescription drugs. In order to understand factors that drive the escalating out-of-pocket costs of our patients, the ACR supports transparency in drug pricing and in the drug distribution system. Pharmacy benefit managers (PBMs) are major contributors to ballooning prices and a lack of transparency.

The American College of Rheumatology supports legislation that would drive down drug costs for our patients by increasing PBM pricing transparency and accountability.

What are PBMs and what role do they play in driving up drug costs?

- **PBMs are companies hired by insurers** to manage drug benefit programs and act as intermediaries between insurers, manufacturers, and pharmacies.
- **PBMs use their position to negotiate discounts and rebates** from pharmaceutical companies in exchange for preferred placement of drugs on insurers' formularies.
- **PBMs are supposed to pass these negotiated savings on to patients.** However, excess rebates and fees are often retained by PBMs rather than passing lower prices on to patients.
- **As a result, what patients are paying out of pocket** may not reflect the actual lower cost of the drug.

Example of PBMs in Action: A manufacturer originally prices a drug at $100. An insurer hires a PBM that negotiates that price down to $80. A pharmacy purchases the drug from a wholesaler and the PBM pays the discounted rate to the pharmacy. The pharmacy also pays a fee to the PBM for the negotiating service. Because this fee is based on a percentage of the drug's list price ($100) instead of the discounted price ($80), the PBM earns an extra profit. The PBM may then charge the insurer a higher price ($90) for the drug, even though it reimburses the pharmacy at the negotiated price ($80). The PBM also earns a rebate directly from the drug manufacturer for placing their drug on the PBM formulary. **Because the negotiated discount is kept secret, we have no idea how large PBMs' profit margins are for the fees they charge.**

When the patient obtains the drug from the pharmacy, they are charged a copay amount based on the list price ($100) rather than the negotiated price ($80). **This co-payment is often higher than the cash price, and pharmacists are often prohibited by PBM contracts from informing patients about this potential cost-saving opportunity.**

Congress: Support legislation that prevents PBMs from restricting pharmacists' ability to inform patients when the cash price of their medicines is lower than the insurance price.

✔ ***Know the Lowest Price Act of 2018* (S. 2553)**— Would prohibit Medicare Advantage, Medicare Part D health plans, and PBMs from restricting pharmacies from informing patients about alternative options to lower out-of-pocket drug costs.

✔ ***Patient Right to Know Drug Prices Act* (S. 2554)**— Would prevent commercial health plans from prohibiting pharmacies from informing patients about alternative options to lower out-of-pocket drug costs.

✔ ***Prescription Transparency Act of 2018* (H.R. 5343)**—Would allow pharmacists to inform patients about alternative options to lower out-of-pocket drug costs.

For more information about PBMs and their role in the rising cost of prescription drugs:

Stay updated on what patients and providers are saying by visiting www.atapadvocates.com. Patient and providers, largely unheard in the drug pricing debate, have formed the Alliance for Transparent and Affordable Prescriptions (ATAP) to further educate people about the impact of PBM practices on the rising cost of prescription drugs. You can also follow the conversation on Twitter: **@ATAPAdvocates**.

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