



Pharmacy Benefit Managers: Driving Up Consumer Costs and Hurting Small Businesses

PBMs have far outgrown their original purpose

- Pharmacy Benefit Managers (PBMs) are middlemen between insurers and pharmacies.
- PBMs were created decades ago to simply process prescription drug claims.
- Over time, PBMs began exerting more control over prescription drug benefits.
- Today, PBMs administer benefits, negotiate with prescription drug manufacturers over rebates costs, and oversee reimbursements to pharmacies.
- PBMs control the pharmacy benefits of more than 253 million Americans.
- PBMs are subject to far less oversight than others in the supply chain, allowing their business practices to remain shrouded in secrecy.

PBMs have concentrated their power

- Small PBMs have been bought by larger PBMs, plan sponsors (Managed Care Companies), or chain drugstores.
- Nationally, 80 percent of prescription drug benefits are covered by three PBMs: Caremark/CVS (owned by chain CVS), Optimum United Health (owned by insurer United Healthcare), and Express Scripts (owned by insurer Cigna).

PBMs drive up patient costs

- PBMs often force consumers to buy meds from pharmacies that those PBMs own.
- Drug manufacturers give PBMs rebates in return for the PBM covering the manufacturer's product. Rebates can give PBMs incentive to take less expensive medicines out of the formulary.
- Drug companies give PBMs an additional discount (kickback) for agreeing to put a particular drug on an insurer's formulary. No one knows how much that discount is or whether the consumer benefits at all from the rebate.
- Some PBMs set the drug copays at higher prices than the actual cost of the drug.

Out-of-state PBMs are hurting Texas small businesses

- There are about 1,600 independent community pharmacies in Texas.
- Almost 15,000 Texans work full-time at independent community pharmacies.
- The failure of PBMs to properly reimburse pharmacies – especially those excluded from PBM networks – makes it difficult for small pharmacies to compete.

Many states are taking action to protect consumers from PBMs' practices

- West Virginia kicked PBMs out of its Medicaid program.
- Arkansas passed a law requiring state insurance regulators to license PBMs and provide Annual Reports to the state's insurance agency.
- Ohio audited CVS and OptimumRx and found the companies kept \$224 million through the practice known as spread pricing, which allows PBMs to retain the difference between what they bill insurers and employers and what they pay to pharmacies.