FACT SHEET | PHARMACY BENEFIT MANAGERS

Identifying PBMs: Pharmacy Benefit Managers (PBMs) are the fiscal intermediary for health plans. The three largest PBMs are Express Scripts, CVS Health (formerly CVS Caremark), and UnitedHealth Group's Optum Rx. These three combined cover 80% of the covered lives in the nation. However, in California a fourth PBM, MedImpact, holds many of the contracts with Medi-Cal Managed Care plans.

History: When PBMs came into practice five decades ago (1968) they were independent of drug manufacturers and pharmacies and, therefore, it was to their benefit to reduce the cost of drugs for the patient population that the insurers covered. When PBMs contracted with health plans (as well as employer groups and government insurers) they processed pharmacy claims, maintained the insurer's formulary drug list and they were able to keep drug costs at a minimum by negotiating lower reimbursement rates with pharmacies, as well as discounts with drug manufacturers. The result of these actions produced a cost savings for the Plans which was passed on to the patients in the form of lower out of pocket costs for drugs (including copays).

It was during the mid to late 1990's that drug manufacturers purchased PBMs (e.g., Merck purchased Medco in 1993). Yet, the FTC considered these relationships a conflict of interest and required the manufacturers to divest themselves of the PBMs. Subsequently, between 1998 and 2003 the manufacturers severed ownership of their PBM.

Large Chain Pharmacies Enter PBM Market: Beginning in 2000 and continuing into the present, large chain pharmacies purchased PBMs, as well many PBMs began acquiring PBMs, making both entities much more powerful and removing the incentive to drive down the cost of drugs. The FTC has turned a blind eye. What is now in place in California and across the nation is that the chain pharmacies are in control of their PBMs and, therefore, can (and do) have closed pharmacy networks that can impede access to care for many patients.

Adverse Outcomes for Consumers: Thus, in today's market the PBMs are not incentivized to keep costs down and the patients suffer access to drugs from closed pharmacy networks, and higher out of pocket costs for necessary medications. There are instances when paying out-of-pocket would be less costly than paying the insurance co-pay; however, patients are not informed of this cost difference and either pay the higher price or walk away from prescriptions they believe they cannot afford. Further, PBMs have effectively excluded drugs from their formularies, often drugs to treat mental health conditions. This can interfere for instance with early treatment of psychosis. Large international studies[1] indicate that early intervention in onset of psychotic disorders reduces or eliminates progressive disability.

[1] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2559918/

http://www.mhac.org/connection-coalition/

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Facing Forward: What is needed is regulation on a business (PBMs) that for the last 50 years has had little to no checks and balances placed upon it. Oversight and transparency benefit patients and pharmacies alike in choice whether to receive medications by mail order, including specialty drugs, and allowing a pharmacy to notify a patient when a formulary drug may be purchased out of pocket at a more reasonable price. People with mental health challenges deserve greater access to medications and reductions in delayed care.