

# The Value of Pharmacy Benefit Management

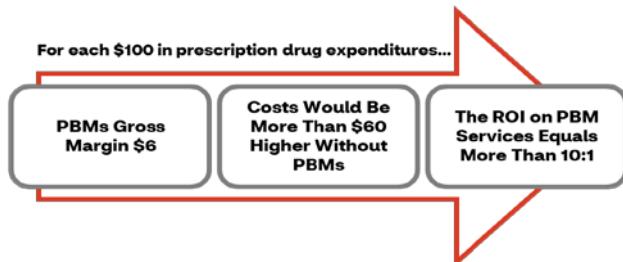
**Pharmacy Benefit Managers (PBMs)** are working every day to help over 260 million Americans get their prescription drugs safely, efficiently, and affordably. Working in partnership with more than 3.2 million U.S. businesses, PBMs provide prescription drug benefits to 156 million employees and their families. PBMs also support government health care programs, such as Medicare Part D, Medicaid, and the Veterans Administration (VA), that provide prescription benefits to more than 112 million beneficiaries across the country, as well as the Federal Employees Health Benefit Program (FEHBP).<sup>1</sup>

## PBM FAST FACTS

- **Reduce health care costs.**
  - PBMs are projected to save health plans and consumers more than **\$1 trillion — over 30%** — on prescription drug costs over the next decade.<sup>2</sup> That translates to an average savings of **\$962** per person per year. For every dollar spent by health plans and consumers, PBMs generate \$10 in savings.<sup>3</sup>
  - PBMs have reduced costs per prescription. In a comparison of non-specialty brands, it was found the full price of a **\$391 drug was reduced to \$268** after PBM-negotiated savings were realized by patients and plan sponsors.<sup>4</sup>
  - PBMs saved the Part D program **\$47 billion** in 2014, with projected savings of **\$896 billion** over ten years, from 2016 to 2025. Without PBMs, Medicare beneficiary premiums would be **66% higher**. PBM tools saved beneficiaries on average \$153.81 per month over the 2016-2025 period, which translates to more than \$1,800 per enrollee per year.<sup>5</sup>
- **Help keep patients safe and healthy.** PBMs utilize a variety of tools such as drug utilization reviews and drug adherence programs to reduce drug-to-drug interactions, prevent medication errors, and promote drug adherence. Over the next 10 years, PBMs will help **prevent 1 billion medication errors**,<sup>6</sup> saving the health care system billions of dollars.<sup>7</sup>
- **The PBM market is highly competitive.** There are more than 60 PBMs in the U.S. that compete fiercely for business. This results in a wide range of options and services at competitive prices and constant innovation to best meet the unique needs of each client.<sup>8</sup>

## STRATEGIES AND TOOLS

PBMs implement a variety of solutions selected by their clients to help manage drug costs. Data from CVS Health shows these tools are working. **Drug costs increased by only 1.4% in 2019**, the lowest rate in five years, despite increases in prescription utilization and ongoing manufacturer-driven drug price inflation. Drug costs for clients who opted for tighter management strategies grew at an even lower rate, and overall, 41% of our commercial clients had negative trend. Through smart formulary and utilization management strategies we mitigated the impact of drug price inflation, prioritized lower-cost and generic options when clinically appropriate, and delivered negative price growth for non-specialty drugs and very low-price growth for specialty drugs.<sup>9</sup>



- **Plan Design:** PBMs advise their clients on various plan design options to structure their prescription drug benefits to help promote cost-effective choices, including encouraging patients to use generic drugs and preferred brands where available. The plan sponsor can choose how they want to spread their cost savings across the drug benefit for members.

- **Pharmacy Networks:** Plan sponsors rely on PBMs to establish pharmacy networks designed to provide convenient access to lower cost drugs through different types of pharmacies, including chain and independent pharmacies, across the country. In fact, independent pharmacies comprise 40% of our network. Our network pharmacies ensure patient access to prescription drugs, monitor drug safety, and manage potential drug interactions.
- **Mail-service Pharmacy:** PBMs provide highly efficient mail-service pharmacies that offer safe and cost-effective home delivery of medications. Mail-service pharmacies typically provide deeper discounts than retail pharmacies, which are passed onto members in the form of lower cost sharing. These pharmacies also help encourage the use of generics and have been shown to increase adherence by offering a 90-day supply of chronic medication, which contributes to better health outcomes.<sup>10</sup>
- **Clinical Management:** PBMs offer a variety of tools to help achieve the best clinical outcomes for patients. These include drug utilization review and disease management programs, which are designed to improve medication adherence and health outcomes. For example, PBMs improve drug therapy and patient adherence in diabetes patients, helping to prevent 400,000 heart attacks, 250,000 strokes, 100,000 amputations, 50,000 end stage kidney disease diagnoses, and 450,000 emergency department visits related to hyper/hypoglycemia.<sup>11</sup>



Studies have shown that greater medication adherence for chronic disease could save over \$300 billion in unnecessary medical costs each year and save tens of thousands of lives.<sup>12</sup>

- **Formulary Management:** PBMs engage panels of independent physicians, pharmacists, and other experts to develop formularies, which are lists of safe and cost-effective drugs that, if adopted by a plan, will be covered under the plan. PBMs also administer utilization management programs (e.g., step therapy) on behalf of plans to promote cost-effective and clinically appropriate drug choices.
- **Manufacturer Rebates and Discounts:** PBMs negotiate drug discounts, known as rebates, from pharmaceutical manufacturers. Plans use rebates to lower drug costs or the costs of providing prescription drug coverage for their members. For example, CVS Health, as an employer, shares these drug discounts with plan members to help lower their out-of-pocket drug costs. CVS Caremark as a PBM offers this same program — known as point-of-sale (POS) rebates — to any client. Of the total rebates obtained from manufacturers by CVS Health as an employer, \$6.3 million was used to lower drug costs for our members.<sup>13</sup>

<sup>1</sup> PCMA, *The Value of PBMs, PBMs are Trusted Business Partners for Healthcare Payers*, Available at: [https://www.pcmanet.org/wp-content/uploads/2017/04/PBM-Payer-Relationships\\_infographic\\_FINAL-1.pdf](https://www.pcmanet.org/wp-content/uploads/2017/04/PBM-Payer-Relationships_infographic_FINAL-1.pdf)

<sup>2</sup> PCMA, Vistante, *Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers*, February 2020. Available at: <https://www.pcmanet.org/wp-content/uploads/2020/02/Pharmacy-Benefit-Managers-Generating-Savings-for-Plan-Sponsors-and-Consumers-2020-1.pdf>

<sup>3</sup> PCMA, Visante, *The Return on Investment (ROI) on PBM Services*, February 2020. Available at: [https://www.pcmanet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL\\_.pdf](https://www.pcmanet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL_.pdf)

<sup>4</sup> PCMA, Visante, *The Return on Investment (ROI) on PBM Services*, February 2020.

<sup>5</sup> Oliver Wyman, *Savings Generated by Pharmacy Benefit Managers in the Medicare Part D Program*, June 2017. Available at: [https://www.affordableprescriptionondrugs.org/app/uploads/2020/05/resources\\_medicarepartd\\_report.pdf](https://www.affordableprescriptionondrugs.org/app/uploads/2020/05/resources_medicarepartd_report.pdf)

<sup>6</sup> PCMA, Visante, *The Return on Investment (ROI) on PBM Services*, February 2020.

<sup>7</sup> Medication errors cost the United States \$20 billion annually. See <https://www.ncbi.nlm.nih.gov/books/NBK499956/#:~:text=Depending%20on%20the%20study%2C%20medical,approximately%20%2420%20billion%20a%20year>

<sup>8</sup> PCMA, *The PBM Marketplace is Highly Competitive*, Available at: <https://www.pcmanet.org/wp-content/uploads/2019/04/Competitive-PBM-Marketplace.pdf>

<sup>9</sup> CVS Health, *2019 Drug Trend Report*. Available at: <https://payorsolutions.cvshealth.com/insights/2019-drug-trend-report>

<sup>10</sup> Schmittidel, J.A., Karter, A.J., Dyer, W. et al. *The Comparative Effectiveness of Mail Order Pharmacy Use vs. Local Pharmacy Use on LDL-C Control in New Statin Users.* J GEN INTERN MED (2011) 26: 1396. Available at: <https://pubmed.ncbi.nlm.nih.gov/21773848/>

<sup>11</sup> PCMA, Visante, *The Return on Investment (ROI) on PBM Services*, February 2020.

<sup>12</sup> NEHI Research Brief, *Thinking Outside the Pillbox: A System-wide approach to Improving Patient Medication Adherence for Chronic Disease.* NEHI, 2009. Available at: [https://www.nehi.net/writable/publication\\_files/file/pa\\_issue\\_brief\\_final.pdf](https://www.nehi.net/writable/publication_files/file/pa_issue_brief_final.pdf)

<sup>13</sup> CVS Health, *Current and New Approaches to Making Drugs More Affordable*, August 2018. Available at: [https://s2.q4cdn.com/447711729/files/doc\\_financials/quarterly/2018/q2/approaches-to-making-drugs-more-affordable.pdf](https://s2.q4cdn.com/447711729/files/doc_financials/quarterly/2018/q2/approaches-to-making-drugs-more-affordable.pdf)