

PBMs Targeted by Government to Lower Drug Prices

The debate continues to rage on between government officials, PBMs, Pharmaceutical Manufacturers, lobbyists, etc. as to who is to blame for skyrocketing prescription drug prices.

A consistent target is Pharmacy Benefit Managers (PBMs) who act as “middlemen” between pharmaceutical manufacturers and employer sponsored pharmacy benefit programs. There is a current campaign by lobbyists to influence Democrats to use money from current spending bills to reign in the high-cost Americans now spend on prescription drugs.

“Pretty much everyone in the supply chain is pointing at the PBMs right now,” said Karry La Violette, the senior vice president of government affairs at the National Community Pharmacists Association. (2)

Two areas of PBM revenue that are being targeted include manufacturer rebates and spread pricing (the difference between what they charge pharmacies and employer groups). The PBM industry claims to be transparent with respect to their pricing models; however, there has been much debate over that statement.

Critics allege that PBMs’ role in negotiating rebates from pharmaceutical manufacturers and developing lists of prescription drugs that health insurers will cover encourages them to prioritize higher-cost medicines where they can reap larger rebates rather than focusing on drugs with lower costs. “Democrats are focused on lowering costs for patients — and that absolutely includes making sure pharmacy benefit managers are getting the best deal for patients not for themselves,” Sen. Patty Murray (D-Wa.) said in a statement. (2)

The latest federal action to curb prescription drug costs came with President Joe Biden signing the Inflation Reduction Act of 2022 on August 16th. This legislation is intended to help millions of Medicare enrollees better afford their life-sustaining medications and millions more Americans will be able to pay their Affordable Care Act premiums. (1)

The Inflation Reduction Act for the first time authorizes Medicare to negotiate the prices of some high-cost prescription drugs with pharmaceutical companies, puts an annual \$2,000 limit on how much Part D prescription drug plan members will have to pay out of pocket for their medications, and levies tax penalties on drugmakers that increase product prices by more than the rate of inflation. The new law also caps the cost of Medicare-covered insulin at \$35 a month and eliminates out-of-pocket costs for most vaccines under Medicare.

The projection is for Medicare to save hundreds of billions of dollars over 10 years as a result of the new law with the majority of the savings coming as a result of prescription drug price negotiations and the rebates to Medicare designed to encourage pharmaceutical companies to keep price increases to no more than the rate of inflation, according to an analysis by the nonpartisan Congressional Budget Office. That means beneficiaries will be able to get the same medications they do now, but some of those drugs will cost them, and Medicare, less. The savings will not be the result of any cuts to the Medicare program.

The new law also extends by three years the expanded subsidies and other financial enhancements first included in the 2021 American Rescue Plan that help bring down the costs of health insurance plans in the ACA marketplace. These subsidies are particularly important to those ages 50 to 64, who pay up to three times more for their insurance. (1)

The PBMs will continue to claim their policies help lower prescription drug trend for their employer group clients while many on the consumer side of the fence will still point blame their way. In a business such as the pharmacy industry there is no one answer that will solve all the issues with high drug prices, but it is evident that PBMs will continue to be at the center of controversy as this issue plays out in Congress and in the marketplace.

LVBCH, in partnership with Keenan Pharmacy Services and USRx Care, offers our members an independent pharmacy clinical program outside of offerings by the employer's PBM that provides 10%-30% additional savings on specialty and non-specialty medications. The savings achieved by this program helps make up for much of the savings employers should be receiving from their PBM program. To hear more about this program, please contact Howard Mazzafrò at hmazzafrò@keenán.com or at 310.903.6273 for more information.

<https://www.aarp.org/politics-society/advocacy/info-2022/medicare-budget-proposal.html>

Politico, December 2021; [Ire over pharmacy middlemen fuels lobbying blitz - POLITICO](#)