



# The Role of PBMs in Keeping Prescriptions Affordable

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# Who Are PBM Clients/Plan Sponsors?



# Why Do Plans Hire PBMs?

## Drive Cost Savings for Patients and Payers



PBMs help save patients and payers 40–50% on their annual drug and related medical costs compared to what they would have spent without PBMs.<sup>1</sup>

## Improve Health Care Quality and Patient Outcomes



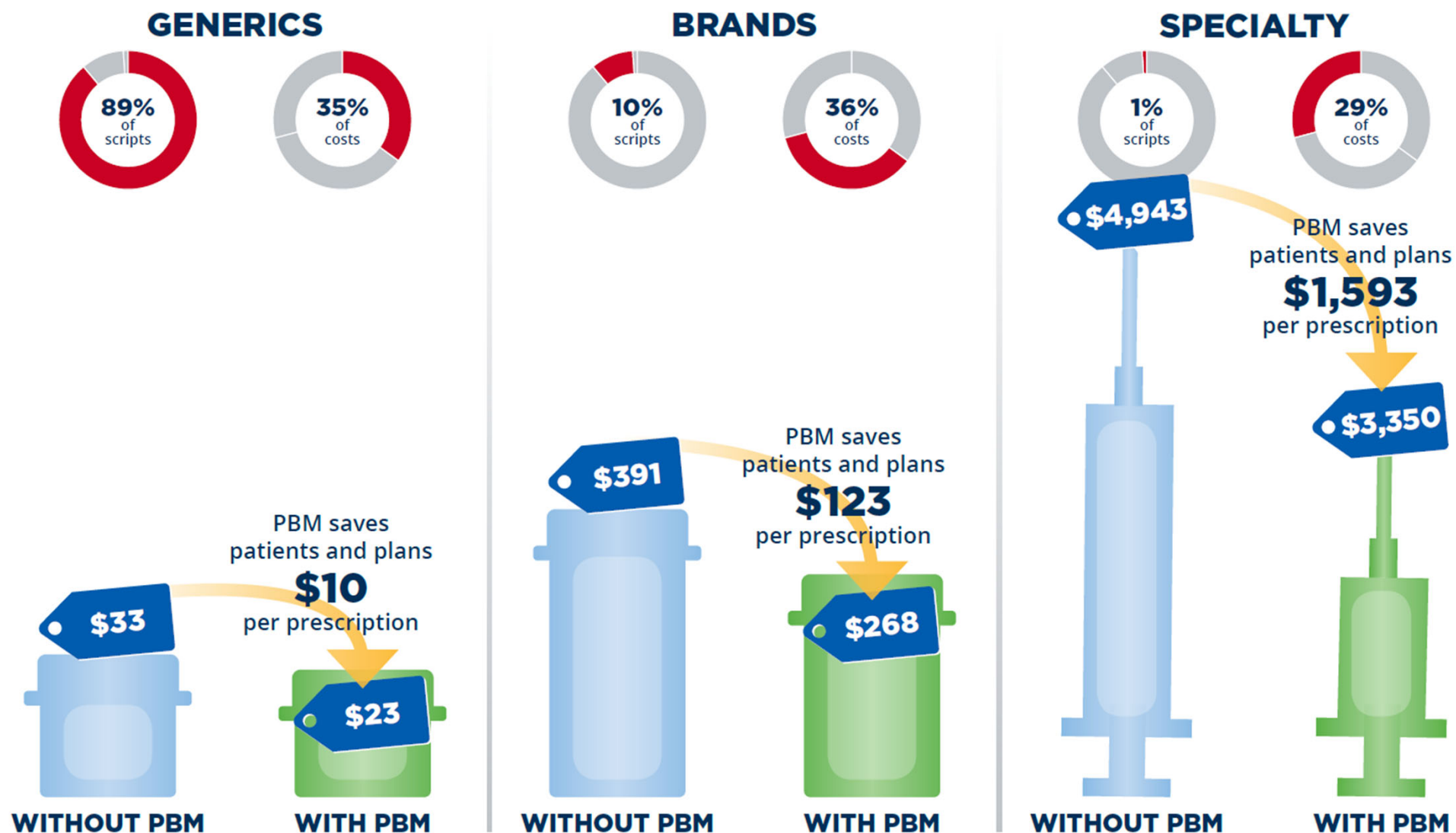
- Reduce medication errors through use of drug utilization review programs.
  - PBMs will help prevent 1 billion medication errors.<sup>2</sup>
- Improve drug therapy and patient adherence, notably in the areas of diabetes and multiple sclerosis.<sup>3</sup>
- Manage programs to address opioid use issues.

<sup>1</sup> Visante, Return on Investment on PBM Services, February 2020.

<sup>2</sup> Visante estimates based on IMS Health data and DUR programs studies.

<sup>3</sup> Visante estimates based on CDC National Diabetes Statistics Report 2017 and studies demonstrating improved adherence by 10+%).

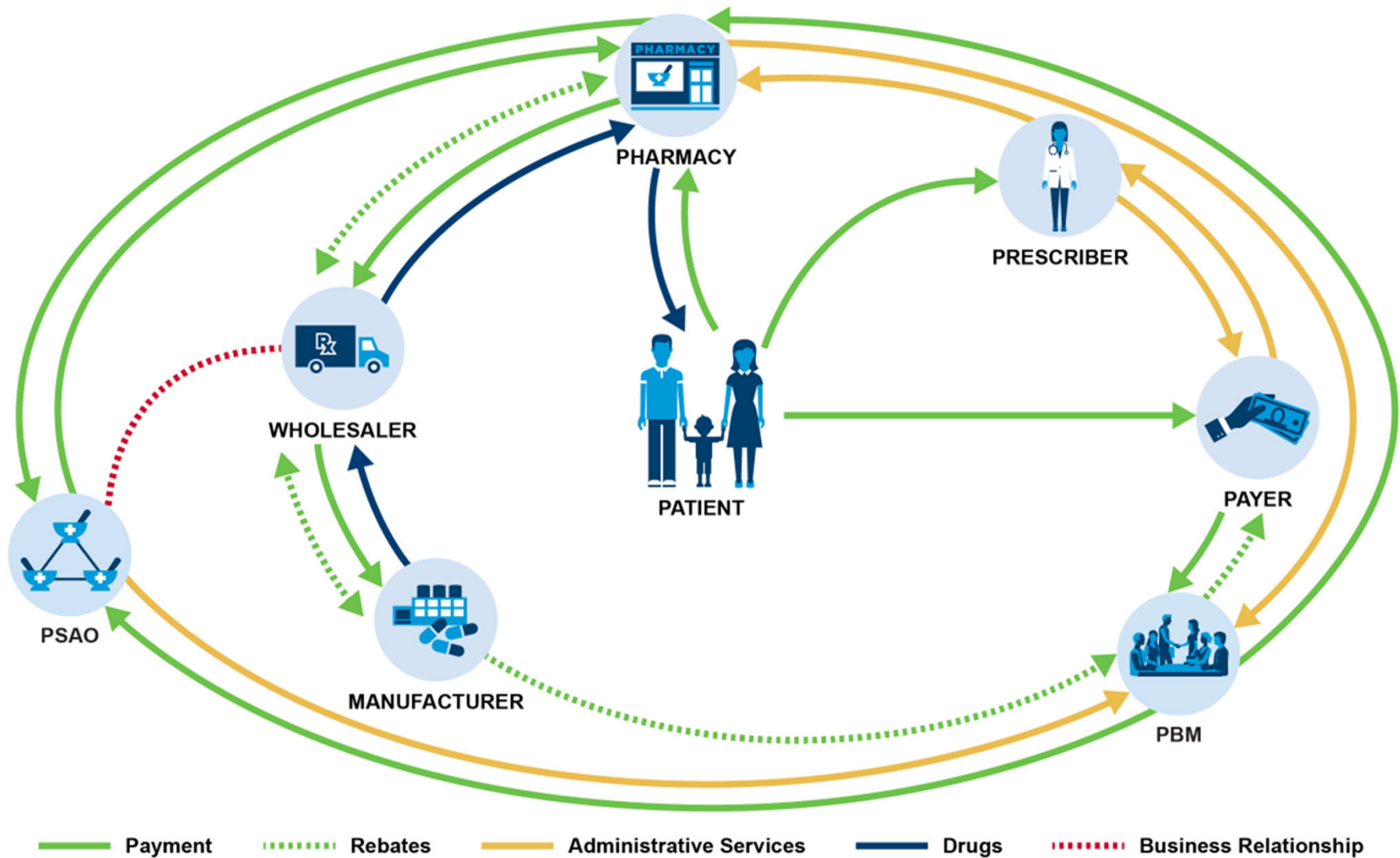
# PBM'S SAVE ON PRESCRIPTION COSTS FOR PATIENTS AND PLANS



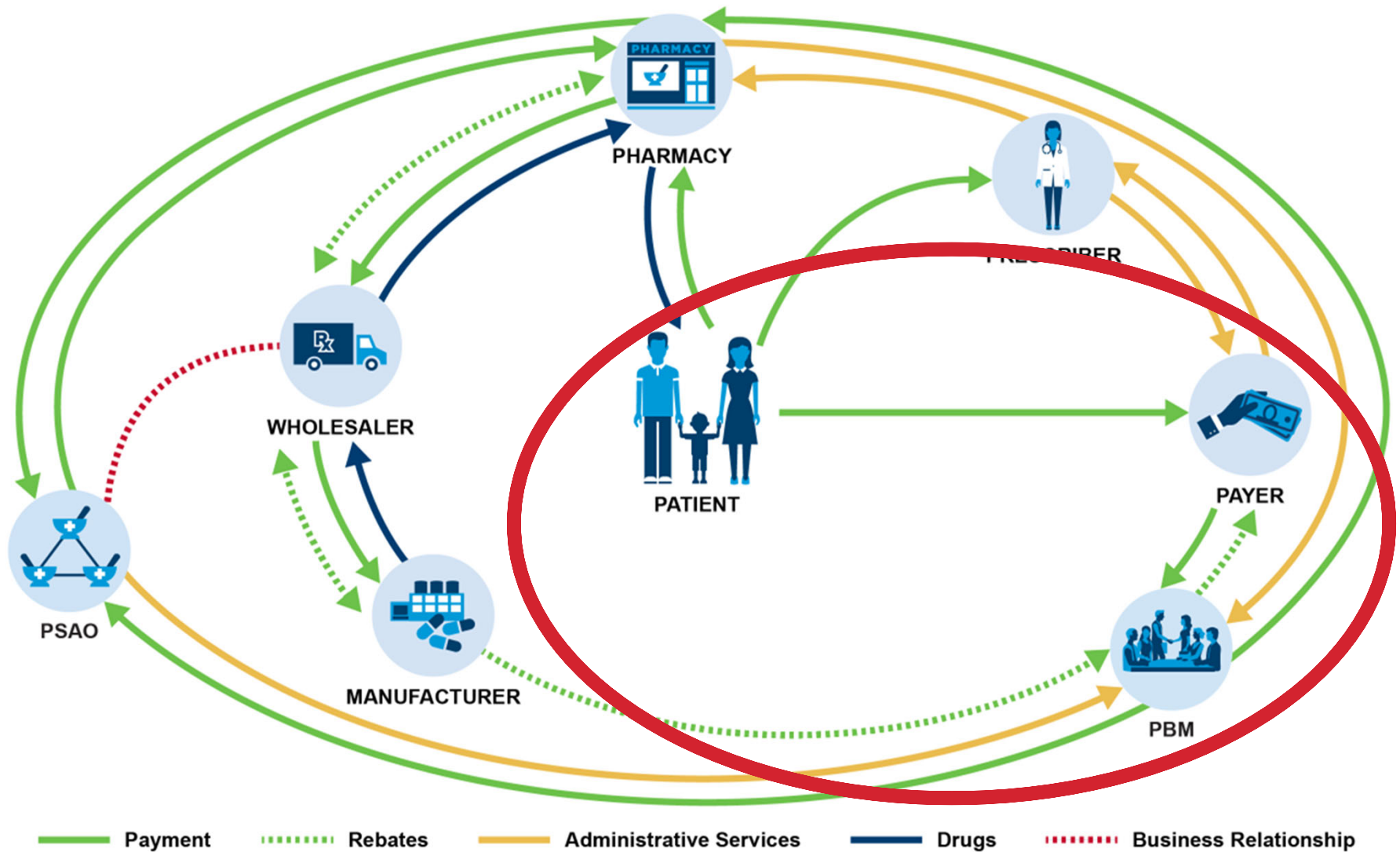
Source: PCMA based on Visante analysis. (2017).



# Detailed Map of Supply Chain



# PBMs Link Plan Sponsors & Patients to Lower Costs



# PBMs Build the Plans the Sponsor Demands

- PBMs Compete for Business
  - PBMs Craft Plans to Meet the Specific Needs of Employers
    - Competition on price and benefit design
- PBM Tools for Plan Sponsors
  - Network Design – Providing access to low-cost retail & mail pharmacies
  - Cost sharing options for Plan Sponsors to Select
  - Manufacturer Rebates to lower costs
  - Formulary Management & Utilization Tools
- CT government is a plan sponsor of state employee plans
  - CT state employee plan uses the same tools

# Plan Sponsor's Menu of PBM Services



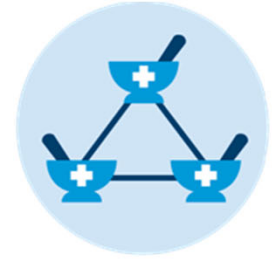
Claims  
Processing



Price, Discount and  
Rebate Negotiations  
with Pharmaceutical  
Manufacturers and  
Drugstores



Formulary  
Management



Pharmacy  
Networks and  
Provider Education



Mail-service  
Pharmacy



Specialty  
Pharmacy



Drug Utilization  
Review



Disease  
Management and  
Adherence  
Initiatives



# Patients Pay Two Ways:

## Premiums

Monthly Share of  
Health Insurance  
Premiums

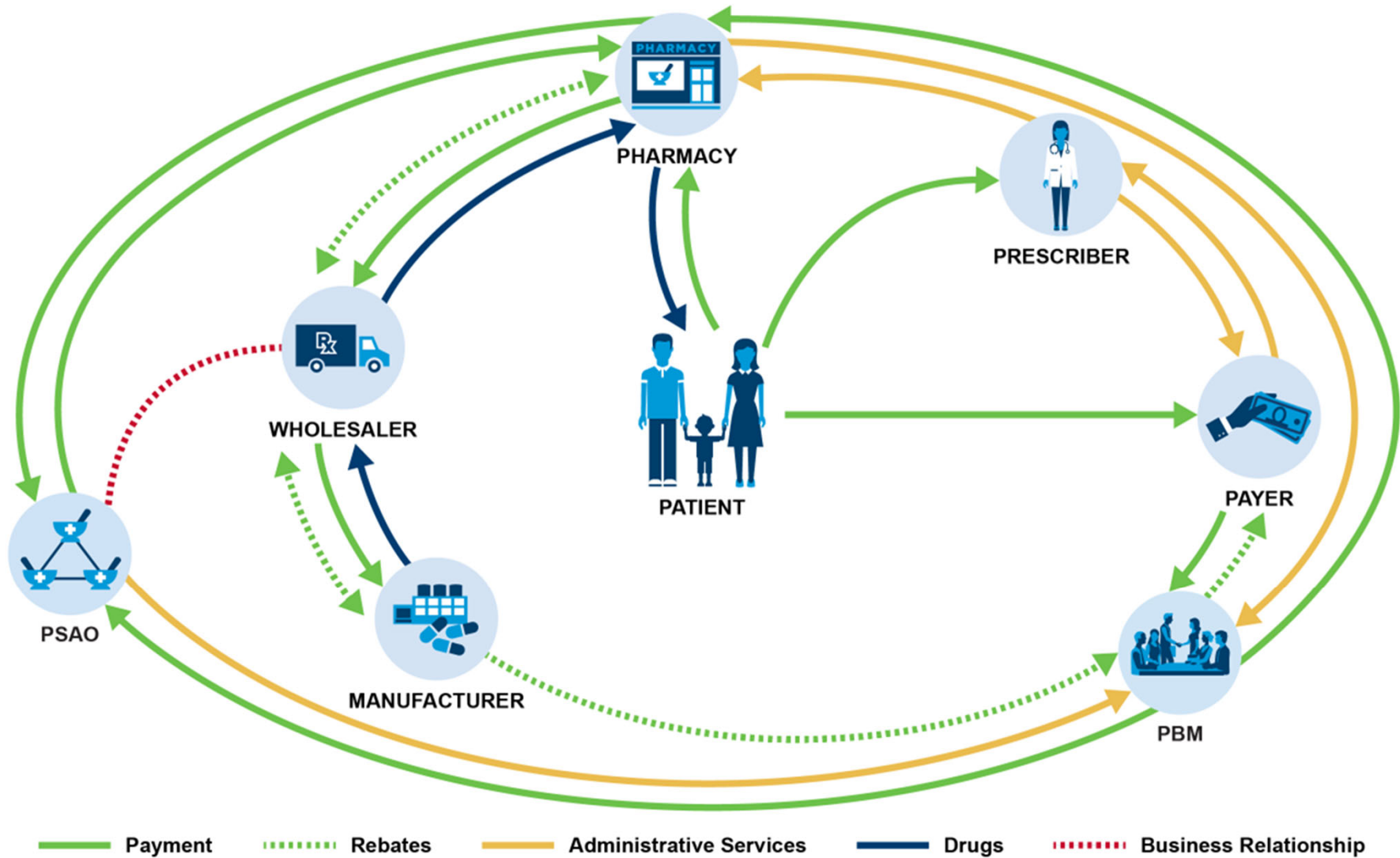


## At the Counter

Copays, Deductible,  
and Out-of-Pocket  
Costs

Both Are Selected by Plan Sponsors

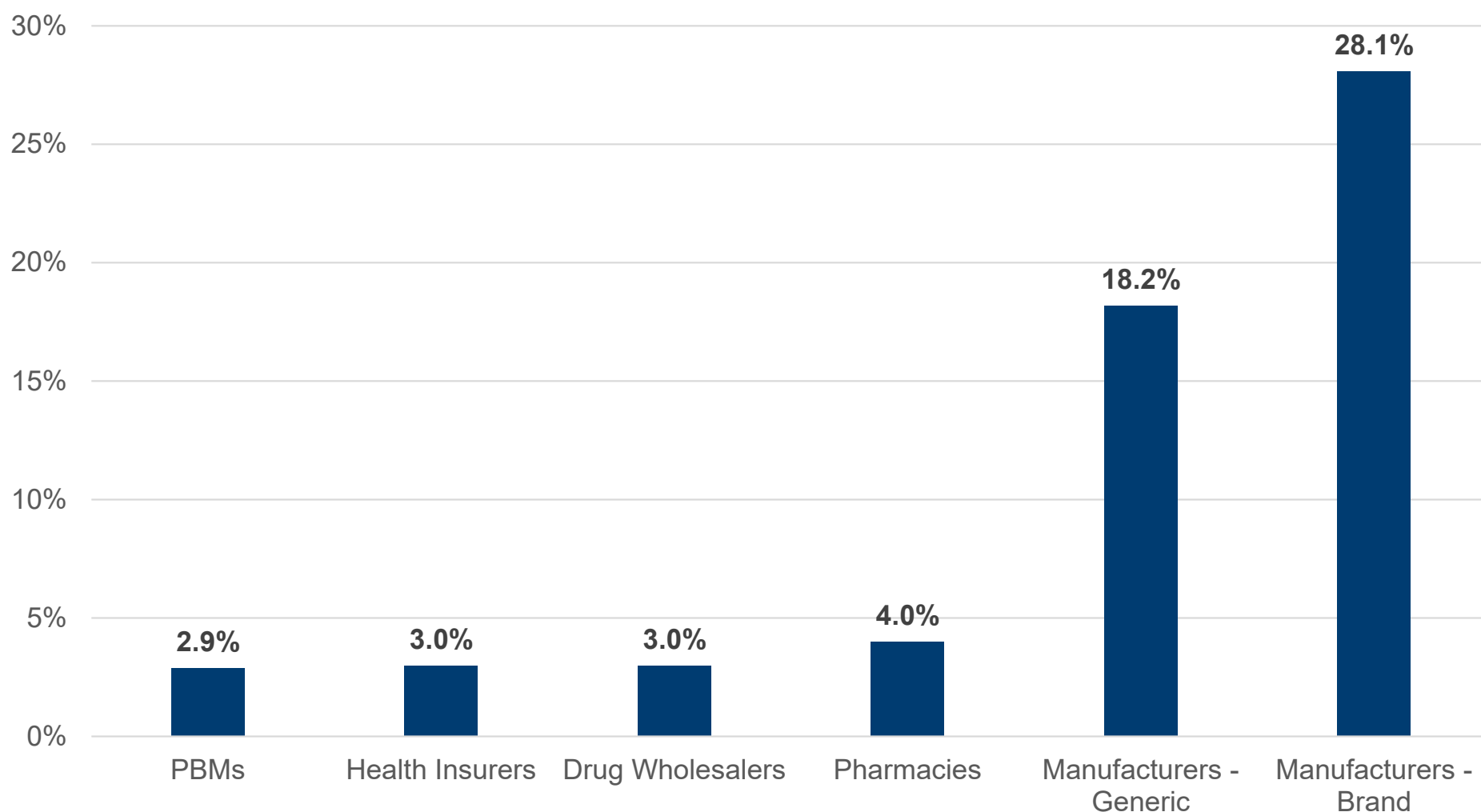
# PBMs Link Manufacturers to Patients



# PBMs Work with Manufacturers to Reduce Patient Costs

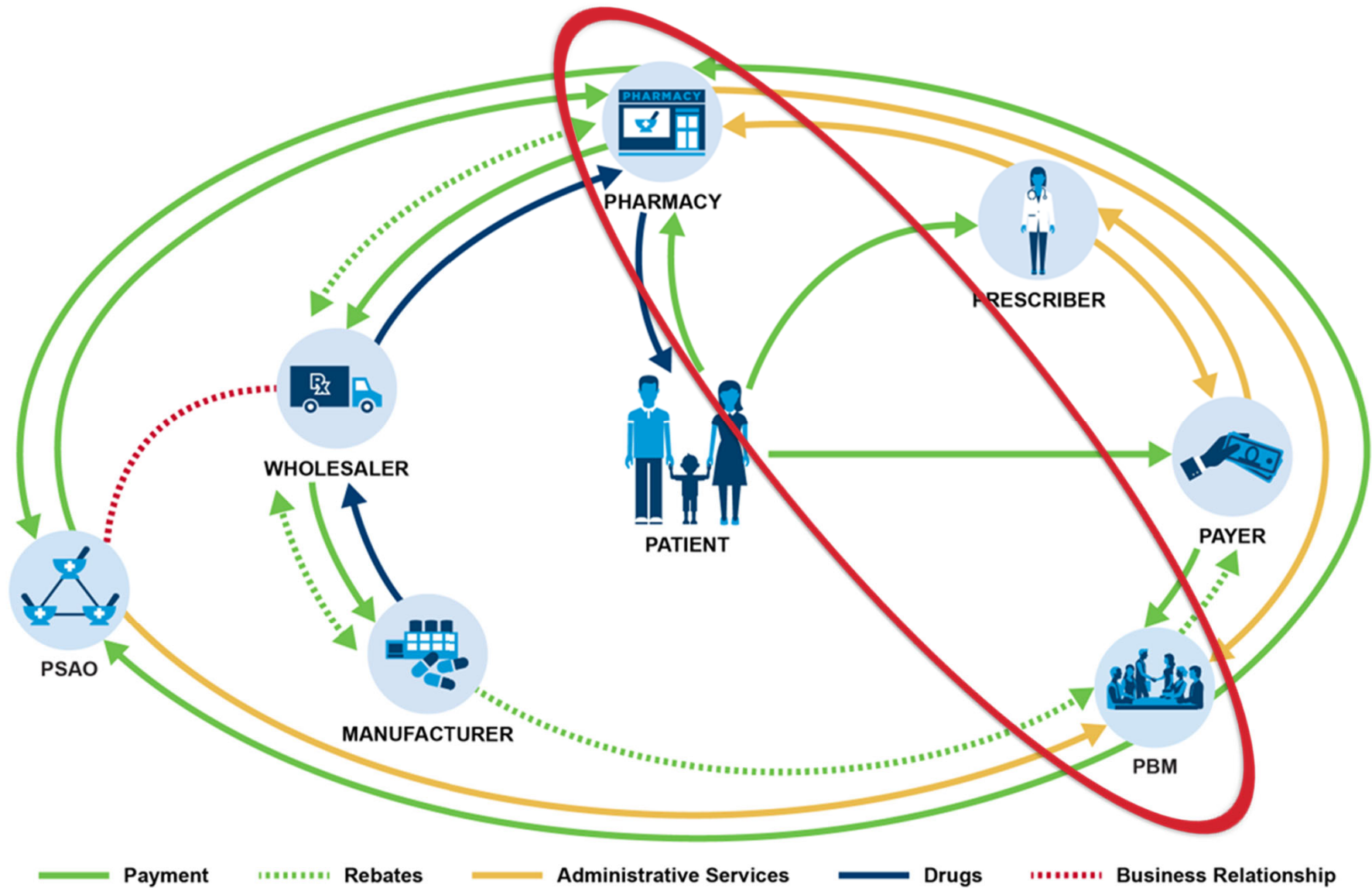
- Rebates
  - Manufacturers negotiate with PBMs to pay rebates on certain drugs
  - PBMs allow plan sponsor to decide what to do with those rebates
    - Reduce Premiums
    - Reduce Patient Cost Sharing
    - Pay for PBM services
- Formulary Management
  - Formularies ensure patients have access to a drug that will work for them
    - Medical professionals determine effectiveness of drugs for formulary
    - Manufacturers compete on the value of drugs for better formulary placement
    - Formularies allow for exceptions to make sure the patient gets the right drug for the right diagnosis

# Pharmaceutical Supply Chain Profit Margins



Source: *The Flow of Money Through the Pharmaceutical Distribution System*. Schaeffer Center for Health Policy & Economics, University of Southern California. June 2017

# PBMs Link Pharmacies to Patients





# Pharmacy Access Is Vital Link for Patients

- PBMs negotiate with Pharmacies to build robust networks
  - Network adequacy requirements are set by federal government and plan sponsors
    - PBMs contract with pharmacies willing to fill scripts at the best price possible
    - Pharmacies willing to offer lowest cost scripts can be added to Preferred Networks
- Mail-order pharmacies provide safe & convenient access for patients
  - Mail-order pharmacies leverage technology & volume to reduce patients' prescription costs
  - Mail-order scripts are linked to higher adherence and lower ER visits

# Every Link is Essential

- Every member of the supply chain provides a product or service
- Every link in the supply chain relies on the products or services provided by the other links
- PBMs are the only member of the supply chain putting downward pressure on drug costs