

MYTHS VS. FACTS

Exposing the truth about PBMs

Powered by
PBMWATCH.com



1



✘ **MYTH:** PBMs are helpful to consumers and benefit our drug supply chain.

✔ **FACT:** PBMs are for profit entities - their interests come first. In 2016 alone, PBMs made **\$11 billion** in profits – and they fight transparency at every turn, opposing bills that would require disclosure of rebates and fees.

2



✘ **MYTH:** PBMs save consumers billions of dollars.

✔ **FACT:** PBMs could significantly reduce drug costs, but they benefit when prices are high. Some examples include:

- Of the **\$608** list price Mylan charged for a two-pack of EpiPens, **\$334** went to PBMs.
- The price Eli Lilly was paid for insulin Humalog fell **8.1%** from 2014 to 2018 due to increasing rebates – during that same period, the list price rose **51.9%**. The increase in list prices is funneled into PBMs rebates, not Lilly's bottom line.
- Insulin net prices have declined **30%** since 2012, but out of pocket costs have increased over **60%**.

3



✘ **MYTH:** The PBM market is competitive and consumers have a wide variety of choices.

✔ **FACT:** **Three PBMs-Optum Rx, Express Scripts, and CVS Caremark-control 85% of the PBM market** according to the President's Council of Economic Advisors. The Council also observed "Over 20% of spending on prescription drugs was taken in as profit by the pharmaceutical distribution system. The size of manufacturer rebates and the percentage of the rebate passed on to health plans and patients are secret." There are also numerous conflicts of interest, the most significant are rebates - when PBMs can share in rebates they want higher not lower drug prices. PBMs have their own pharmacies and drive consumers from their community pharmacy to the PBM owned pharmacy.

4



✘ **MYTH:** PBMs give consumers increased access to drugs.

✔ **FACT:** **PBM kickback schemes make drugs less accessible by inflating costs.** PBMs often deny consumers access through inordinate step therapies (requiring patients to try a cheaper treatment option for their condition before the PBM or insurer will cover a more complex or expensive medicine) and force consumers to use expensive and poor service mail order pharmacies.

MYTHS vs. FACTS

Exposing the truth about PBMs

Powered by
PBMWATCH.COM



5



MYTH: PBM rebates are passed along to consumers.

FACT: PBM rebates are based on a percentage of the list price of drugs, therefore PBMs inflate the list price and steer patients to drugs where PBM's profit, not patients. PBM rebates - thanks to lack of competition and transparency - now exceed **\$150 billion** per year, but that increase has not resulted in lower prices for patients.

6



MYTH: PBMs efficiently manage drug plans for state governments and save them money.

FACT: PBMs overcharge states and fail to pass along discounts. Ohio State Auditor found that the PBM OptumRx earned over **\$223 million** between April 2017 and March 2018. Kentucky found that hidden PBM fees accounted for **\$125 million** in costs to taxpayers. And between April 2017 and April 2018, PBMs overcharged New York taxpayers by over **\$200 million**. Innovative new therapies are also sent to the back of the line for consumer access.

7



MYTH: Payors are sophisticated and can make sure they get the rebates they are due.

FACT: PBMs fight transparency and prevent even the largest payors from getting the info they need. For example, Anthem sued Express Scripts for pocketing **\$3 billion a year** or **\$15 billion** in rebates.

8



MYTH: If PBMs pass down full discounts/rebates to consumers at the pharmacy counter, they will no longer make any profit.

FACT: PBMs use hidden fees (among other tactics) to increase their revenue. According to Pew Charitable Trust, PBMs nearly quadrupled fees they charge biopharmaceutical companies between 2014 and 2016. Growth in alternate PBM revenue streams, such as spread pricing and administrative fees, increased from **\$5.9 billion** in 2012 to **\$16.6 billion** in 2016.

9



MYTH: Gutting the PBM rebate system would increase premiums, cut benefits, and/or shift the costs to public employees.

FACT: New Jersey conducted a dynamic online reverse auction among PBMs and saved **\$1.6 billion** over three years, without an increase in premiums.

10



MYTH: PBMs are regulated

FACT: There is no meaningful regulation of PBMs. There are at most 5-6 states that require PBMs to register, but there is no regulation of rebates, transparency, or conflicts of interest.