



Pharmacy Benefit Management

Follow the Money:

Tracking the flow of funds in rebates, administrative fees, market share bonuses



3 Key Objectives

- **Rebates should not be the focus**
- **Questions you should be asking your PBM**
- **Why Vertical and Horizontal Integration is bad**



Why do drug prices keep going up? REBATES

	Rx = 8-10% of Total Spend		Rx = 33-35% of Total Spend	
Rebate %*	3%	10%	25%	40%
	2012	2015	2018	2021
Price*	\$500	\$600	\$750	\$1000
Rebate \$*	\$15	\$60	\$187.50	\$400
Profit (net to Pharma)*	\$485	\$540	\$562.50	\$600

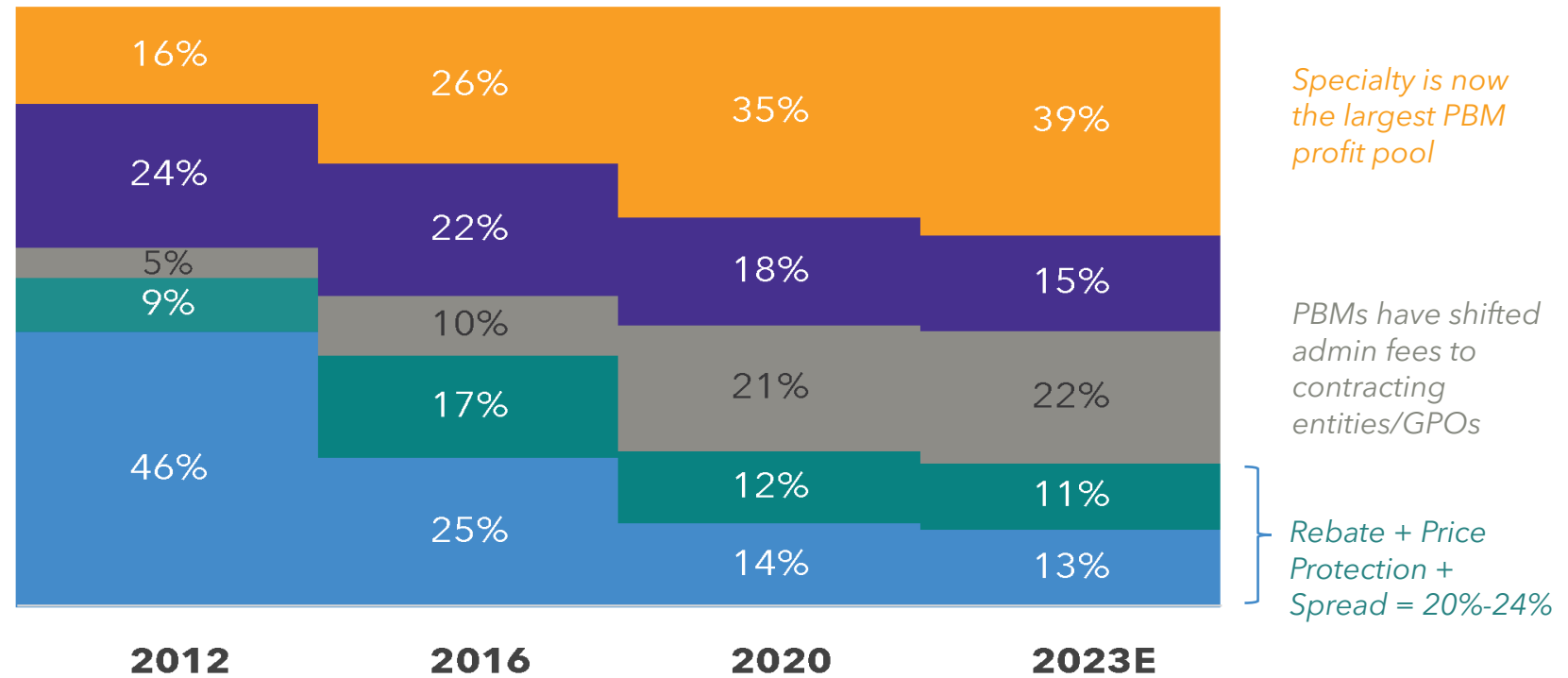
* Illustrative examples only

Rebates paid from pharma to the PBM started going up in 2015 & continue to rise. PBM's are demanding more rebate dollars to drive profit to themselves, but pharma is getting the blame for raising prices. In this situation, pharma increased the price of the drug 100% & increased profit only 22% while the PBM saw a profit increase of 2,600%.

PBM Profitability – Why Rebates Don't Matter



'Peak Rebate' → 'Peak Spread' → 'Peak Admin Fee' → 'Peak GPO Fee' → 'Peak SP'



■ Rebates & Price Protection ■ Spread ■ Fees & GPO ■ Mail Pharmacy ■ Specialty Pharmacy

PBM profits have shifted from rebates and spread to fees and fulfillment

A Comparison of PBMs – Specialty Guarantee

Sample Client Contract Rate Comparison

Pharmaceutical Manufacturer Rebates - Managed Formulary	PBM 1	PBM 2	PBM 3	PBM 4
Retail (1-83 DS) Per Brand Guarantee	\$159.37	\$276.75	\$265.00	\$24.58
Retail (84+ DS) Per Brand Guarantee	\$453.10	\$774.44	\$645.00	\$491.37
Mail Order Per Brand Guarantee	\$630.45	\$834.72	\$724.00	\$491.37
Specialty Per Brand Guarantee	\$1,500.00	\$2,500.00	\$2,219.00	\$1,812.80

Why Rebate Guarantees Don't Matter

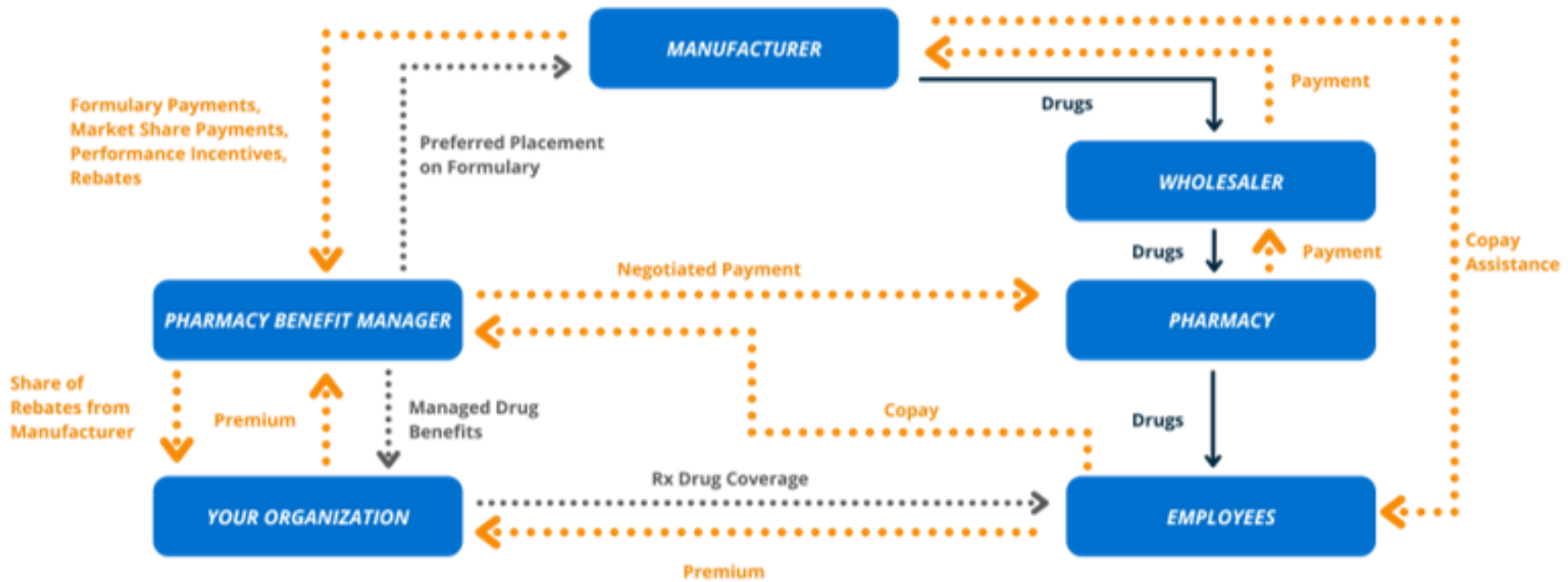
A Case Study – A Client with 10,000 Lives



- The PBM contract pays \$2,500 in rebates for each specialty claim filled
- **Proper clinical criteria** says they should only fill specialty in 30-day increments (example: this client has 91 in 60 days and 283 in 84+ days)
- **In these cases, the PBM only pays the employer FOUR rebates a year, instead of 12**
- If filled by proper clinical criteria, and the numbers are standardized (182 for 60+ days and 849 for 84+ days) - for this client, **657 more rebate payments** should have been received by the employer
- Traditional PBMs do this with **ALL specialty claims** - multiplying these numbers by the number of specialty drugs the employer fills for their members

	Total Fills	Rebate Amount	Rebate Dollars Paid
30 or less	336	\$ 2,500.00	\$ 840,000.00
60	91	\$ 2,500.00	\$ 227,500.00
84+	283	\$ 2,500.00	\$ 707,500.00
Total	710		\$ 1,775,000.00
Standardized for 30 Days			
30 days	336	\$ 1,500.00	\$ 504,000.00
60 days	182	\$ 1,500.00	\$ 273,000.00
84+ days	849	\$ 1,500.00	\$ 1,273,500.00
Total	1367		\$ 2,050,500.00

Complex by design



- Flow of Funds
- Flow of Rx Drugs
- Services

When the cost of drugs increase, everyone benefits but your organization.

What we've learned...

Manufacturer

Increase prices at their discretion

Higher drug costs = Higher profits



Wholesaler

Paid as a percent of drug costs

Higher drug costs = Higher profits



PBM

In control of formulary, contract language, manufacturer revenue

Higher drug costs = Higher profits



Employers & Public Purchasers

Lack of control

Higher drug costs = Lower profits



Hepatitis C Medications



Hep C Drugs: the Rebate Problem

Product	Manufacturer	Genotype	Unit AWP	8 Week AWPcost	12 Week AWPcost
Harvoni 90-400	Gilead	1, 4-6	\$1,350.00		\$ 113,400.00
Epclusa 400/100	Gilead	1 to 6	\$1,068.00		\$ 89,712.00
Vosevi (2d line treatment)	Gilead	1 to 6	\$1,068.00		\$ 89,713.00
Mavyret 100-40	Abbvie	1 to 6	\$ 188.57	\$ 31,680.00	

All of these medicines have the same clinical efficacy. The ability to drive manufacturer revenue is the overriding factor on how formulary decisions are made... costing American families and employers money.

Which medication would you choose to be on your formulary?

CVS Value Formulary



Formulary Drug Removals

Below is a list of medicines by drug class that have been removed from your plan's formulary. If you continue using one of the drugs listed below and identified as a Formulary Drug Removal, you may be required to pay the full cost.

If you are currently using one of the formulary drug removals, ask your doctor to choose one of the generic or brand formulary options listed below.

Category Drug Class	Formulary Drug Removals	Formulary Options
Acromegaly	SANDOSTATIN LAR SIGNIFOR LAR SOMAVERT	SOMATULINE DEPOT

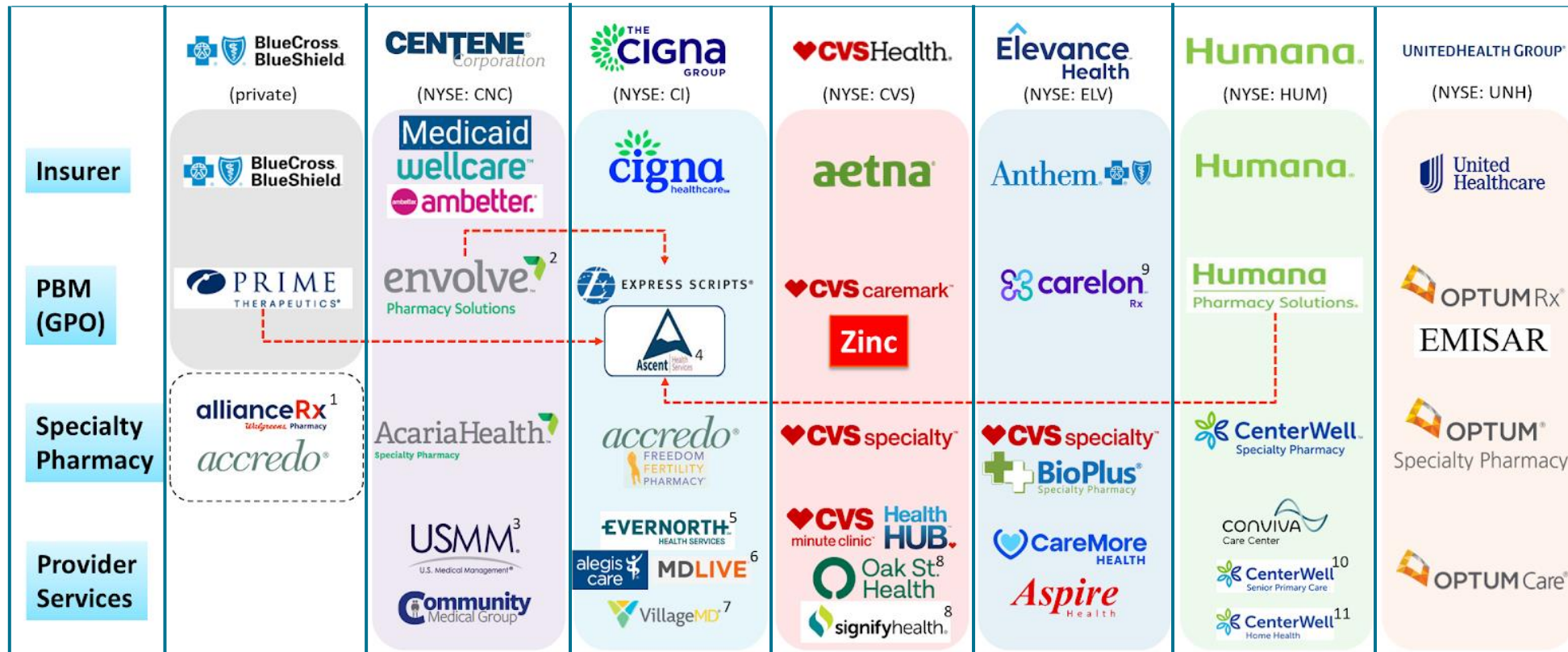


Category Drug Class	Formulary Drug Removals	Formulary Options
Anti-infectives, Antivirals Hepatitis C *	MAVYRET VIEKIRA PAK ZEPATIER	EPCLUSA (genotypes 1, 2, 3, 4, 5, 6), HARVONI (genotypes 1, 4, 5, 6), VOSEVI ¹
Anti-infectives, Antivirals Herpes *	acyclovir cream VALTREX	acyclovir capsule, acyclovir tablet, valacyclovir
Anti-infectives Miscellaneous	DARAPRIM	pyrimethamine

Anti-infectives, Antivirals Hepatitis B *	BARACLUDE TABLET	entecavir, lamivudine, VEMLIDY
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Vertical and Horizontal Integration



AffirmedRx

Industry consolidation leads to diminishing transparency and high cost of care.

1. Since 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx Walgreens Pharmacy for mail/specialty pharmacy services. In Dec. 2021, Walgreens purchased Prime Therapeutics' 45% ownership interest, so this business had no PBM ownership as of 2022. Effective June 2022, the company was rebranded as AllianceRx Walgreens Pharmacy.
 2. Centene has announced that it would outsource its PBM operations to Express Scripts in 2024. In 2023, Centene rebranded its pharmacy benefit subsidiary as Centene Pharmacy Services.
 3. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.
 4. Since 2020, Prime has sourced formulary rebates via Ascent Health Services. In 2021, Humana began sourcing formulary rebates via Ascent Health Services for its commercial plans.
 5. Previously known as Evernorth Care Group and Cigna Medical Group.
 6. In 2021, Cigna's Evernorth business acquired MDLIVE.
 7. In 2022, Cigna invested \$2.7 billion for an estimated 14% ownership stake in VillageMD. Walgreens owns a majority of VillageMD.
 8. In September 2022, CVS Health announced its acquisition of Signify Health. In February 2023, CVS announced its acquisition of Oak Street Health. Both transactions closed in 2023.
 9. Previously known as IngenioRx.
 10. In 2021, Partners in Primary Care and Family Physicians Group businesses were rebranded as CenterWell Senior Primary Care.
 11. In 2022, Kindred at Home was rebranded as CenterWell Home Health. In 2022, Humana announced an agreement to divest its majority interest in Kindred at Home's Hospice and Personal Care Divisions to Clayton, Dubilier & Rice. Humana also announced plans to close a majority of its SeniorBridge home care locations.
 Source: The 2023 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, Exhibit 234. Companies are listed alphabetically by corporate name.

Why specialty matters: Tadalafil

Pharmacy Name	Drug NDC	Drug Name and Strength	Total Quantity	Total Drug Cost
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34
PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$3,856.34

Note: The price the PBM chose to pay itself and then bill that cost to the plan sponsor

Pharmacy Name	Drug NDC	Drug Name and Strength	Total Quantity	Total Drug Cost
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$223.53
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$190.17
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$190.17
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$190.17
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$190.17
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$190.17
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$189.47
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$189.47
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$183.76
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$182.35
NON-PBM OWNED PHARMACY	65862088060	TADALAFIL TAB 20MG	60	\$181.36

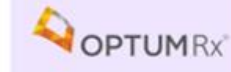
Note: The price the PBM chose to pay everyone else

We've always seen the red flags, now you can too.

Insurer



PBM



Specialty Pharmacy



Provider Services



These organizations like to tout the benefit of vertical integration - we do not see care improving, but we do see costs increasing every year.

Imatinib example



Generic Cost Comparison for Select State Employee Health Plans - June 2023 Mark Cuban Cost Plus Drug Company (MCCPDC) v. CVS



Drug Name	Days ¹	Dosage ²	MCCPDC Dosage Price ³	MCCPDC Est. Annual Cost ⁴	Kentucky (CVS) Est. Annual Cost ⁵	Tennessee (CVS) Est. Annual Cost ⁵	Georgia (CVS) Est. Annual Cost ⁵	Louisiana (CVS) Est. Annual Cost ⁵
Imatinib (Generic for Gleevec)	30*	60 x 400mg	\$72.20	\$866.40	\$26,196.84	\$212,522.52	\$170,733.60	\$56,935.08
Rosuvastatin (Generic for Crestor)	90	90 x 40mg	\$14.30	\$57.20	\$254.88	\$310.48	\$265.92	\$192.52
Atorvastatin (Generic for Lipitor)	90	90 x 80mg	\$12.50	\$50.00	\$195.28	\$206.84	\$211.84	\$143.88
Celecoxib (Generic for Celebrex)	90	90 x 400mg	\$19.70	\$78.80	\$78.36	\$377.00	\$81.20	\$99.44
Esomeprazole (Generic for Nexium)	90	90 x 40mg	\$17.00	\$68.00	\$658.80	\$115.20	\$186.12	\$96.48
Ezetimibe (Generic for Zetia)	90	90 x 10mg	\$13.40	\$53.60	\$270.00	\$310.48	\$212.88	\$159.24
Abiraterone Acetate (Generic for Zytiga)	30	30 x 250mg	\$38.60	\$163.20	\$6,424.32	\$27,742.92	\$18,715.44	\$19,350.72
Quetiapine Fumarate ER (Generic for SEROquel XR)	90	90 x 400mg	\$20.60	\$82.40	\$413.28	\$808.68	\$398.24	\$139.36
Amlodipine (Generic for Norvasc)	90	90 x 10mg	\$9.80	\$39.20	\$90.00	\$26.40	\$30.00	\$32.12
Emtricitabine Tenofovir (Generic for Truvada)	30	30 x 200mg 300m	\$20.42	\$245.04	\$6,287.52	\$5,631.60	\$8,064.84	\$8,613.48
Aripiprazole (Generic for Abilify)	90	90 x 30mg	\$21.50	\$86.00	\$117.20	\$223.04	\$120.68	\$41.28
Dimethyl Fumarate (Generic for Tecfidera)	30*	60 x 240mg	\$42.50	\$510.00	\$10,692.96	\$76,042.68	\$49,077.12	\$23,248.68
Temozolomide (Generic for Temodar)	30	30 x 100mg	\$316.70	\$3,800.40	\$20,473.80	\$77,487.96	\$52,273.68	\$54,047.88
Albendazole (Generic for Albenza)	28	28 x 200mg	\$467.00	\$5,604.00	\$3,333.72	\$7,630.44	\$2,615.28	\$6,300.12
Valganciclovir (Generic for Valtrex)	90*	180 x 450mg	\$374.60	\$1,498.40	\$1,069.36	\$1,090.16	\$1,041.28	\$962.12
Levothyroxine (Generic for Synthroid)	90	90 x 300mcg	\$17.90	\$71.60	\$255.40	\$59.88	\$143.40	\$156.20
Metformin (Generic for Glucophage)	90*	180 x 1000mg	\$16.40	\$65.60	\$15.64	\$18.88	\$12.40	\$13.20
Lisinopril (Generic for Prinivil)	90	90 x 40mg	\$12.50	\$50.00	\$72.88	\$13.32	\$30.00	\$76.36
Metoprolol (Generic for Toprol XL)	90	90 x 100mg	\$11.60	\$46.40	\$40.24	\$15.00	\$15.00	\$40.80
Albuterol (Generic for Proventil)	90	3 cnt, 90 ml	\$31.28	\$125.12	\$479.88	\$378.88	\$269.40	\$310.56
Losartan (Generic for Cozaar)	90	90 x 100mg	\$14.30	\$57.20	\$258.72	\$110.36	\$175.44	\$169.12
Chlorpromazine (Generic for Thorazine)	90	90 x 100mg	\$22.40	\$89.60	\$460.80	\$405.52	\$262.76	\$499.96
Gabapentin (Generic for Neurontin)	90	90 x 400mg	N/A	N/A	\$9.84	\$36.36	\$23.60	\$10.68

Key Takeaways:

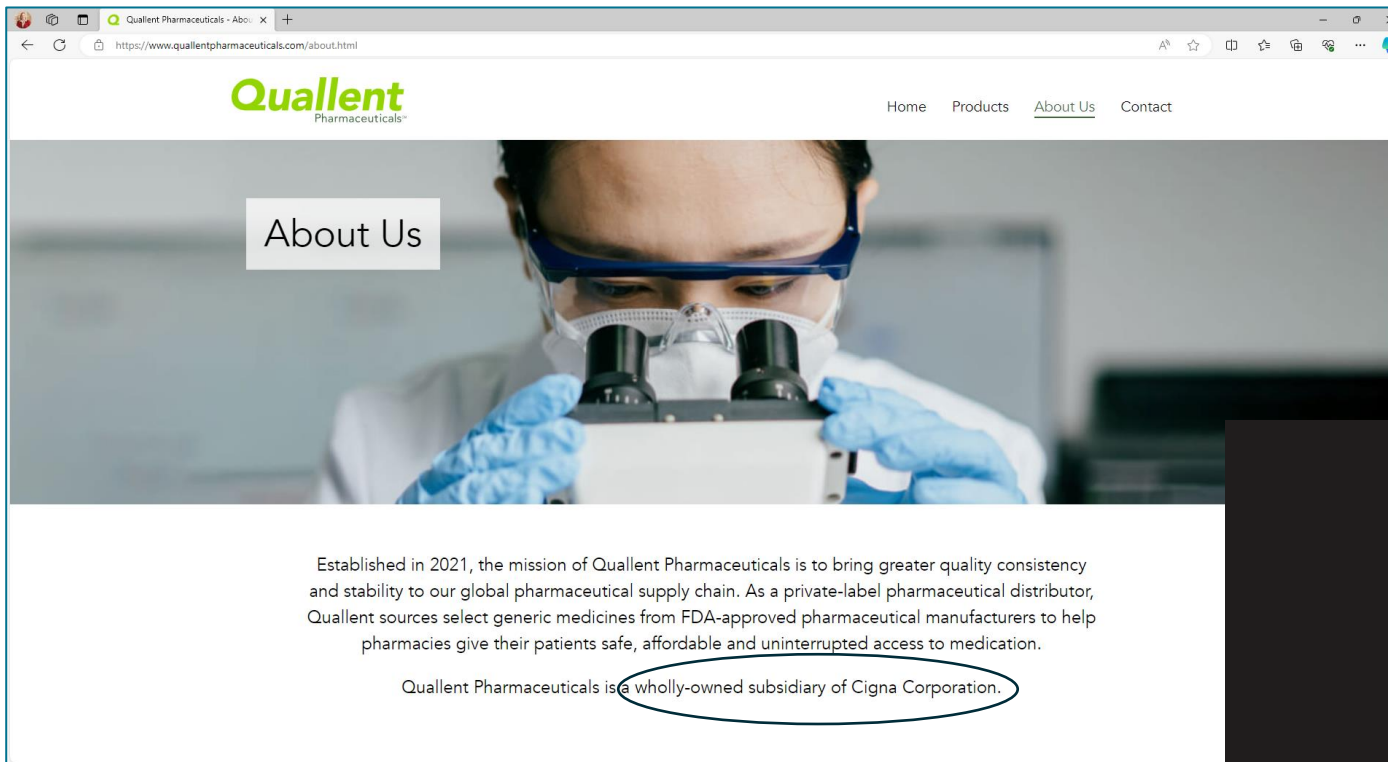
- Despite being some of the largest employee benefit groups in the country, having the same benefits consultant (Aon), and the same PBM (CVS), wildly between plans, and in most cases, cost members and the State significantly more. How does size and negotiating power explain this?
- The State of TN has the highest cost for a specified drug for 13 out of the 23 example drugs, as indicated by the yellow highlight.

Notes:

- Days supply shown - in some instances the prescribed dosage requires a quantity of 2 pills, as indicated by (*).
- Dosage indicates days supply and strength of medication selected for comparison.
- Dosage price includes the cost of the select dosage 1x through MCCPDC, including 15% markup, pharmacy labor, and shipping fees.
- Estimated annual cost for the prescribed regimen shown.
- Estimated annual cost as pulled from the publicly accessible (online) CVS Cost Estimator Tool.

MCCPDC Est. Annual Cost ⁴	Kentucky (CVS) Est. Annual Cost ⁵	Tennessee (CVS) Est. Annual Cost ⁵
\$866.40	\$26,196.84	\$212,522.52

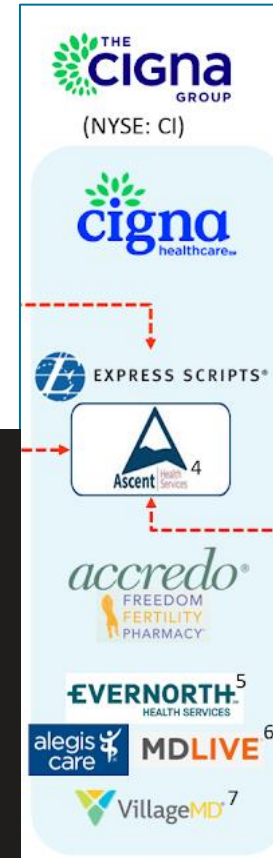
Quallent Pharmaceuticals



The screenshot shows the "About Us" page of the Quallent Pharmaceuticals website. The page features a navigation menu with "Home", "Products", "About Us", and "Contact". A large image of a scientist in a lab coat and safety goggles looking through a microscope is the background. The text on the page reads: "Established in 2021, the mission of Quallent Pharmaceuticals is to bring greater quality consistency and stability to our global pharmaceutical supply chain. As a private-label pharmaceutical distributor, Quallent sources select generic medicines from FDA-approved pharmaceutical manufacturers to help pharmacies give their patients safe, affordable and uninterrupted access to medication." Below this, a sentence states "Quallent Pharmaceuticals is a wholly-owned subsidiary of Cigna Corporation." The word "a" in this sentence is circled in red.

Quallent
Pharmaceuticals[®]

20 Genesis Close
George Town
Grand Cayman
KY1-1208
Cayman Islands



An example: Rebates driving higher drug prices Truvada and Descovy



Truvada

Meijer Pharmacy	\$1,839 retail Save 97%	\$47.54 with free coupon
Costco	\$1,848 retail Save 97%	\$45.99 with free coupon

Descovy

GoodRx [How GoodRx Works](#) [Disco](#)

prophylaxis) is a once-daily prescription medicine for adults and adolescents at risk of HIV.

IMPORTANT SAFETY INFORMATION
Click to view important warnings on the risk of drug resistance if you become HIV-positive and only take DESCOVY, and worsening of hepatitis B infection. >>
[Important Facts >>](#)

Advertisement

Walgreens	\$2,325 retail Save 13%	\$2,000.24 with free coupon
CVS Pharmacy	\$2,388 retail Save 16%	\$1,993.95 with free coupon
Walmart	\$2,211 retail Save 9%	\$2,010.59 with free discount
Meijer Pharmacy	\$2,342 retail Save 18%	\$1,908.22 with free coupon
Costco	\$2,194 retail Save 6%	\$2,052.62 with free coupon
Target (CVS)	\$2,209 retail Save 9%	\$1,993.95 with free coupon

NEWSLETTER **MEDICALNEWS**TODAY

Ingredients of Truvada and Descovy

Truvada contains two active ingredients: emtricitabine and tenofovir disoproxil fumarate. Descovy also contains two active ingredients: emtricitabine and tenofovir alafenamide.

Both Truvada and Descovy contain two active ingredients in one tablet. They have one common active ingredient: emtricitabine. The second active ingredient, tenofovir, is a little different in each drug. This affects how the body absorbs the medications.

“Truvada contains two active ingredients: emtricitabine and tenofovir disoproxil fumarate. Descovy also contains two active ingredients:
emtricitabine and tenofovir alafenamide

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- Medical News Today

An example: Rebates driving higher drug prices Truvada and Descovy



Truvada™

- Went generic in October 2020
- Costs for employers should be \$23/month*



Descovy™

- \$2,200
- Only 1% of patients need to use Descovy - those who have osteoporosis or kidney disease, but it has taken over a larger portion of market share...

Why? REBATES!



What did you learn today?

- **Rebates should not be the focus**
- **Questions you should be asking your PBM**
- **Why Vertical and Horizontal Integration is bad**



INSPIRE

companies
healthcare
community



INSPIRE

companies
healthcare
community