



Finding the Formula for Drug Savings

The Role of Pharmacy Benefit Managers in the Health Care System

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Express Scripts

Nevada Interim Legislative Committee on Health Care

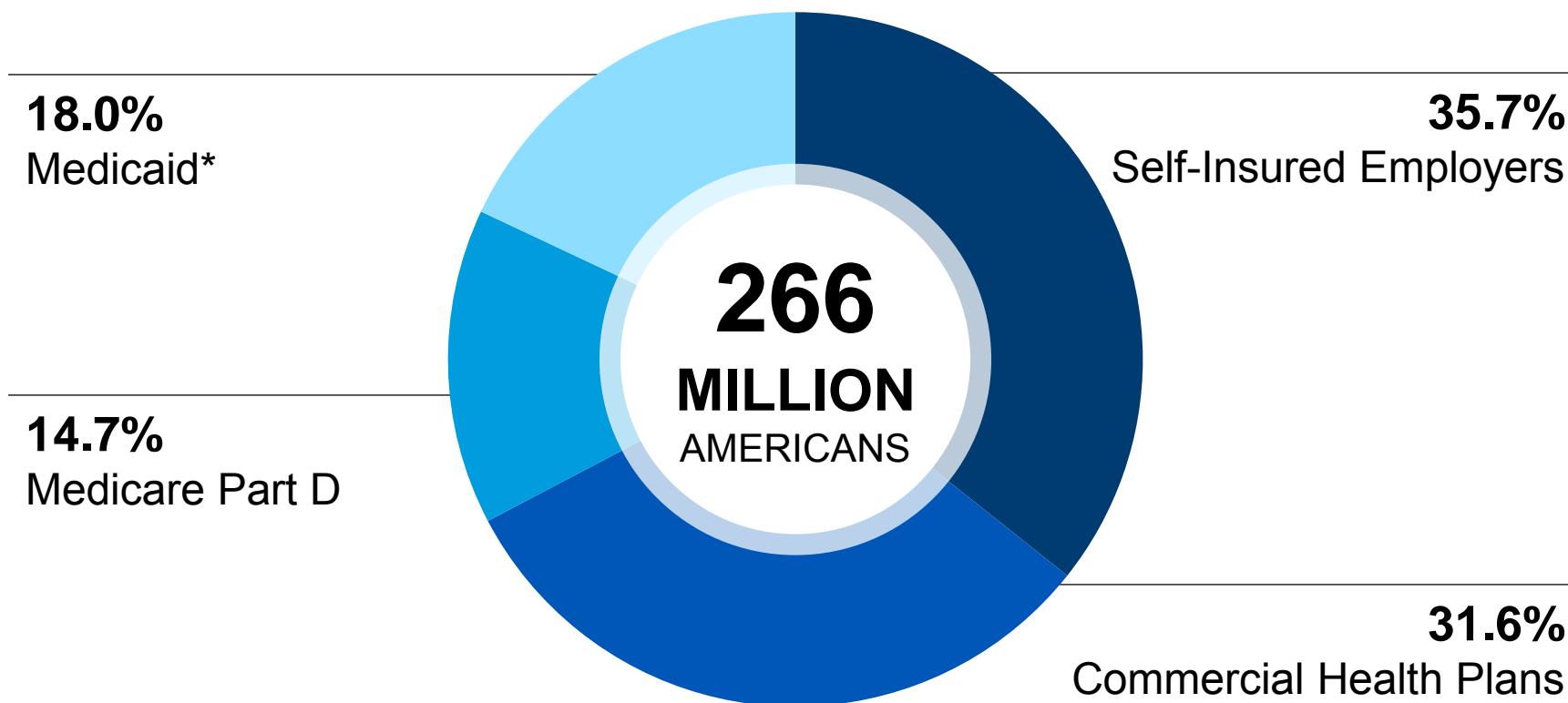
September 24, 2018

What Is a PBM?

- A pharmacy benefits manager (PBM) is a health care company that contracts with insurers, employers, and government programs to administer the prescription drug portion of the health care benefit
- PBMs work with insurers and employers to perform a variety of services to ensure high-quality, cost efficient delivery of prescription drugs to consumers
- PBMs aggregate the buying clout of millions of enrollees, enabling plan sponsors and individuals to obtain lower costs for prescription drugs.

PBMs' National Footprint

More than **266 million Americans** receive pharmacy benefits provided through PBMs



*Excludes Medicare-Medicaid Dual Eligibles where drugs are covered by Medicare Part D.
Source: Visante estimates prepared for PCMA, 2016.

Pharmacy Benefit Management Services



Claims
Processing



Price, Discount and
Rebate Negotiations
with Pharmaceutical
Manufacturers and
Drugstores



Formulary
Management



Pharmacy
Networks



Mail-service
Pharmacy



Specialty
Pharmacy



Drug Utilization
Review

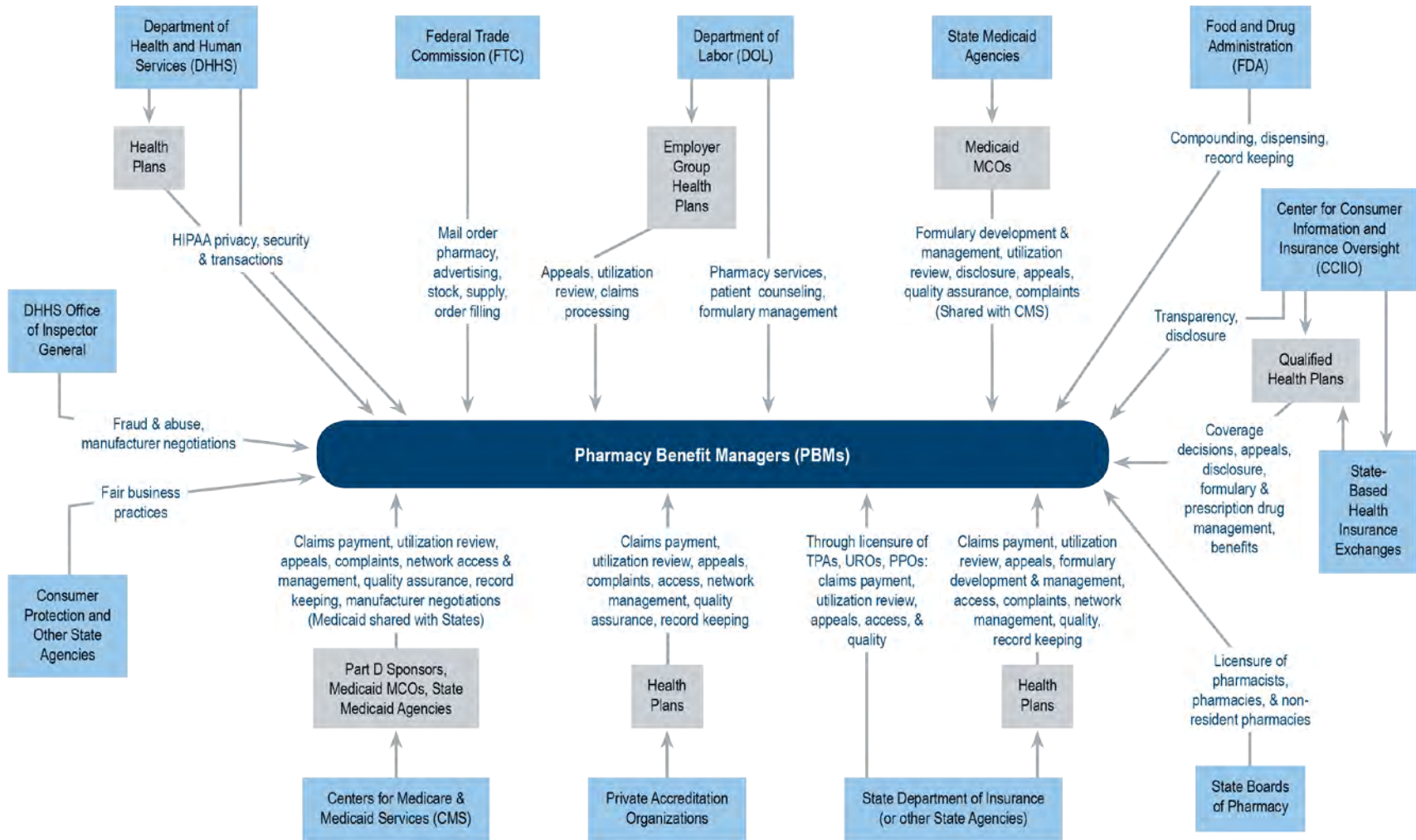


Disease
Management and
Adherence
Initiatives

Who Are PBM Clients?



Regulation of PBM Activities

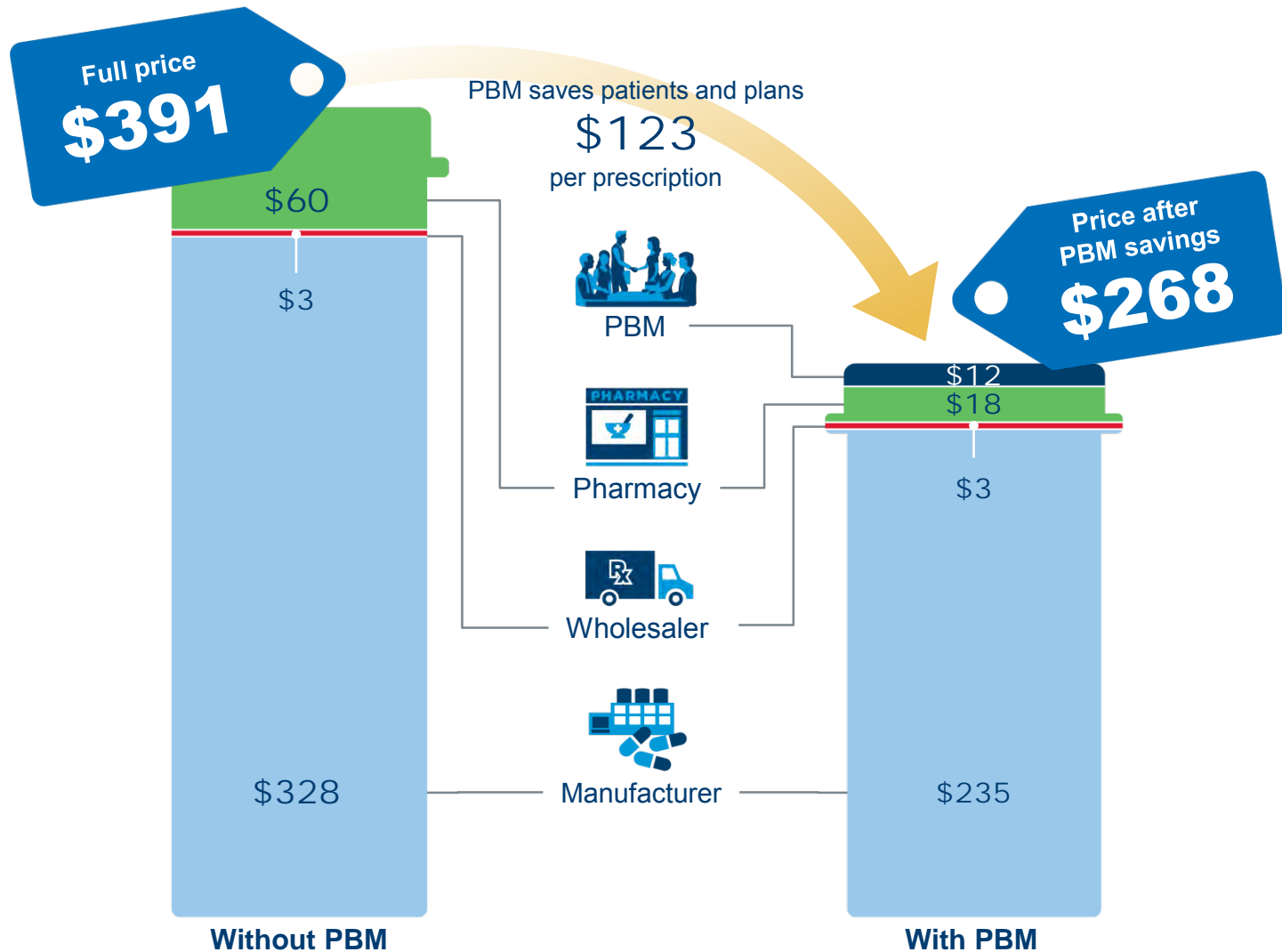


Regulatory Agencies

PBM Clients

Regulated Activities

PBMs Save Patients and Plans \$123 Per Rx

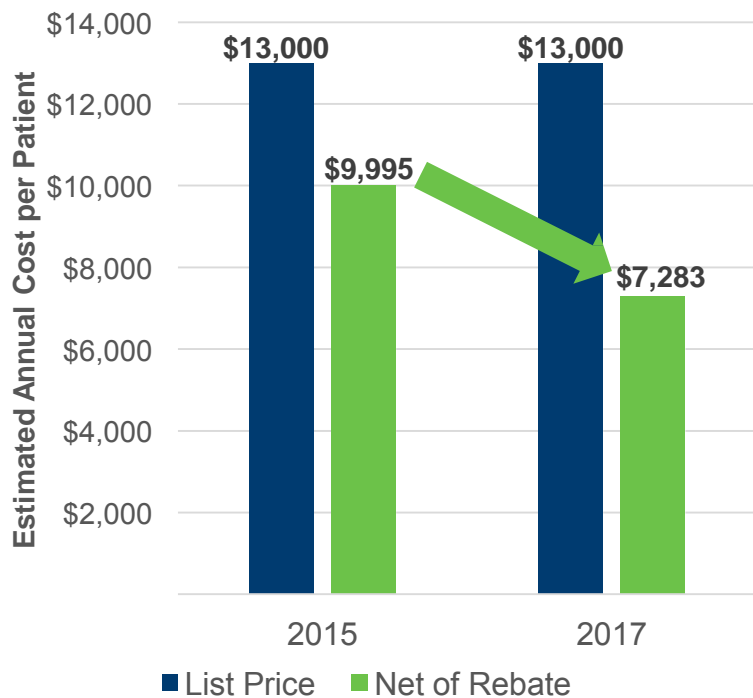


*Comparison based on non-specialty brands. PBM = Pharmacy Benefit Manager.
Source: PCMA based on Visante analysis. (2017).

PCSK-9 Experience Demonstrates How PBMs Hold Down Costs for High Cost Drugs

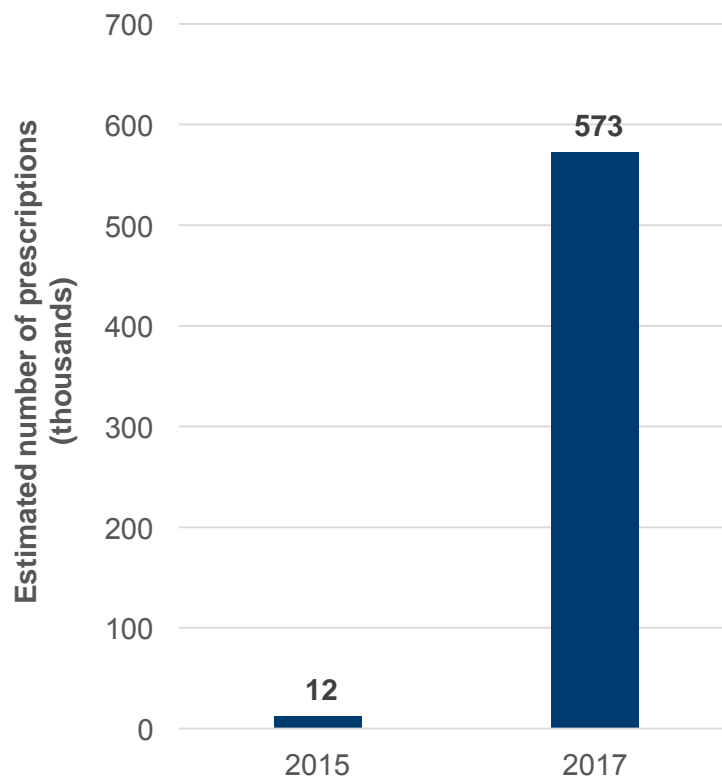
PBMs negotiated better rebates that lowered net cost

Average Net Cost per Prescription



With lower net costs, PBMs increased access

Utilization (Number of prescriptions annually)



Source: Visante analysis of data from SSR Health for Praluent and Repatha. Estimated costs and utilization are for non-Medicaid market.

PBMs Improve Quality and Adherence

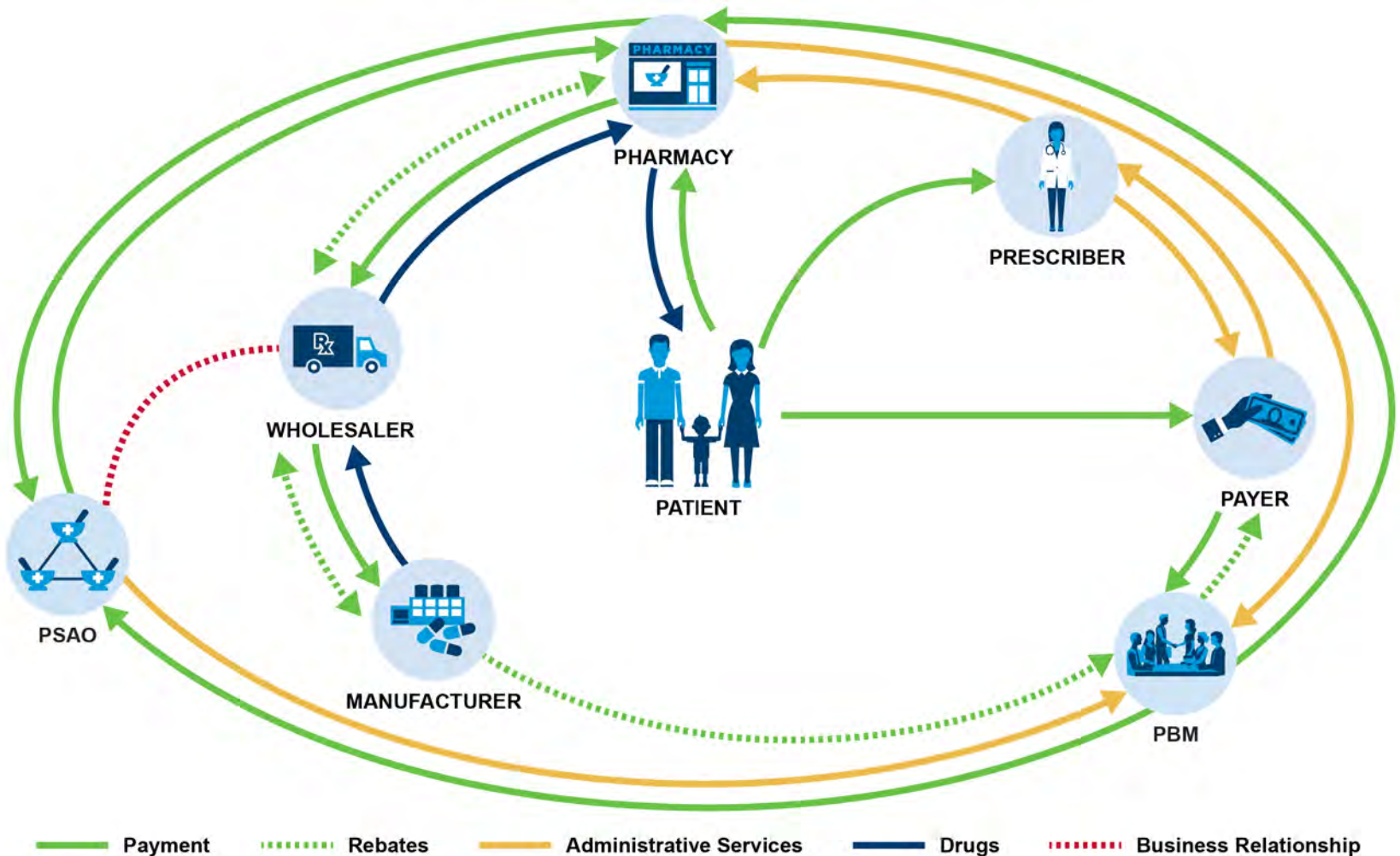
- PBMs help reduce medication errors through use of drug utilization review programs.
 - Over next 10 years, PBMs will help prevent 1 billion medication errors.

(Visante estimates based on IMS Health data and DUR program studies).

- PBMs help improve drug therapy and patient adherence, notably in the areas of diabetes and multiple sclerosis.

(Visante estimates based on CDC National Diabetes Statistics Report 2014 and studies demonstrating improved adherence by 10+%).

Flow of Goods, Transactions & Services



Tackling High Drug Costs

- Patient cost-sharing often represents only a small fraction of the total cost of the drug.
- Brand drug manufacturers establish prices within a monopoly established by federal patent law.
- Until other drugs are approved for the same disease or condition, manufacturers have little incentive to reduce their prices.
- **Health plans and PBMs do not have any control over the price the manufacturer sets for a drug** — but PBMs have some tools to drive down drug costs.

Pharma chief defends 400% drug price rise as a 'moral requirement'

I think it is a moral requirement
To make money when you can . . .
to sell the product for the highest price.” (emphasis added)

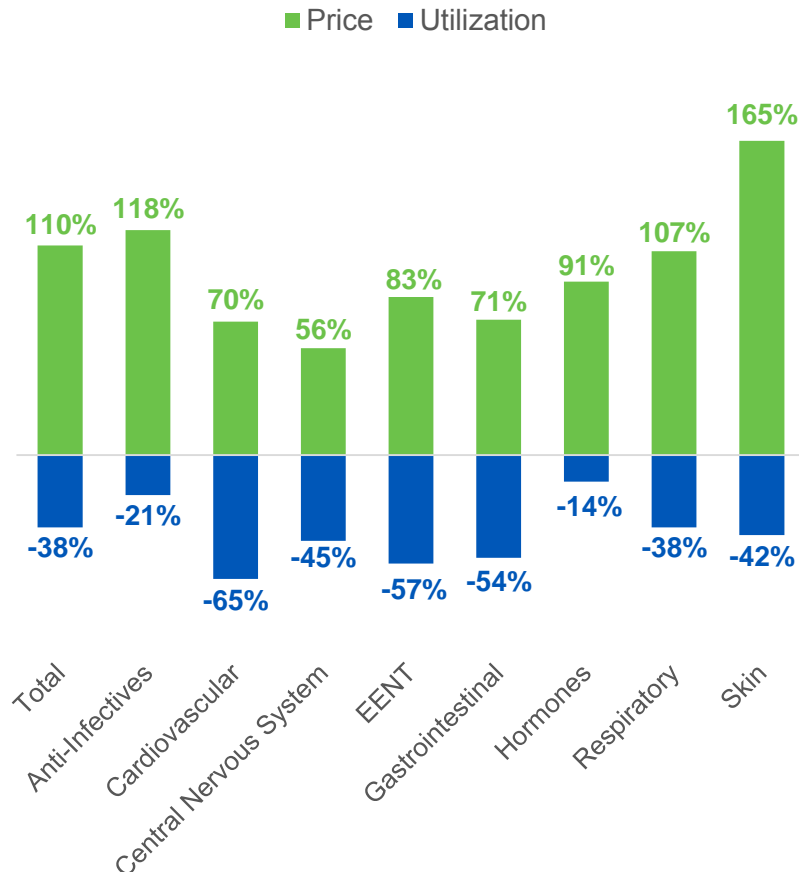
Nirmal Mulye

Nostrum Laboratories' Founder and President

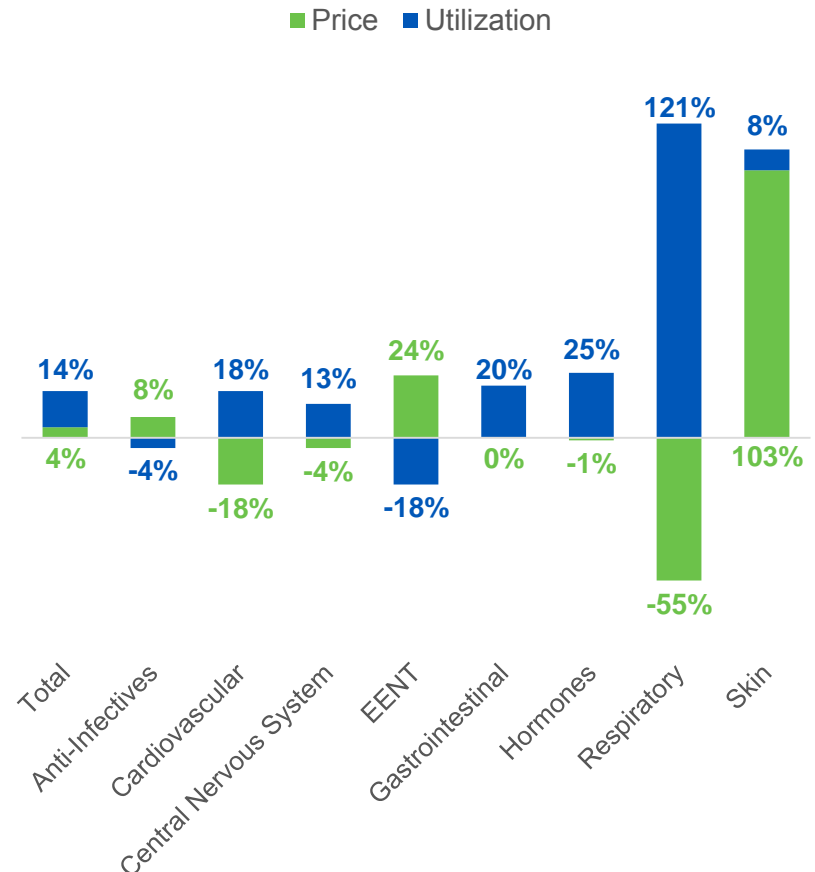
Financial Times, September 11, 2018

Is Drug Pricing a Problem?

Cumulative Change in Brand Prescription Drug Price and Utilization, 2012-2016



Cumulative Change in Generic Prescription Drug Price and Utilization, 2012-2016



Source: Health Care Cost Institute, 2016 Health Care Cost and Utilization Report. (January 2018).

Manufacturer Coupons

Drug makers have determined that it is more profitable to give away coupons for high-priced drugs rather than just making their medications more affordable.

Banned in Medicare and Medicaid

- **Consider two patients:** both have the same premium and deductible, but one requires a surgical procedure rather than a medication, or maybe one of them uses medication that does not have a copay assistance program.
- Manufacturer coupons allow one member to utilize manufacturer funding to satisfy their deductible while another has to meet it entirely with their own money.

NO CORRELATION BETWEEN DRUG REBATES AND PRICE INCREASES

Study #1

- For nearly half of brand-name drugs reimbursed by Part D from 2011 to 2015, unit costs increased at least 50 percent
- The percentage of brand-name drugs for which manufacturers **paid rebates decreased**
- The number of brand-name drugs with rebates **dropped** from 72 percent to 61 percent

Source: Office of the Inspector General (OIG), US Department of Health & Human Services, *Increases in Reimbursement for Brand-Name Drugs in Part D*, June 2018 Data Brief

Study #2

- No correlation between drug prices and PBM/payer rebates
- Drugmakers are increasing prices regardless of rebate levels
- Cases exist of higher-than-average price increases with relatively low rebates
- Cases exist of lower-than-average price increases with relatively high rebates

Source: Visante, *No Correlation Between Increasing Drugs Prices and Manufacturer Rebates in Major Drug Categories* (April 2017)

Conclusion

- Drug list prices for both brands and generics are going up.
- PBMs play a unique and central role in **driving adherence, holding down costs, and increasing quality**.
- PBM tools **deliver savings** for plan sponsors and consumers, underscoring the success of the competitive marketplace.