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This is how Pharmacy Benefit Managers are driving costs on prescription drugs | Opinion

3 minute conversation

Kim Robbins Special to the USA TODAY Network

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It goes without saying that the cost of health care has gone up exponentially over the last decade. As a former pharmacy owner and current executive director of the Delaware Pharmacist Society, I have seen firsthand the enormous impact these rising costs have had not only on consumers who rely on prescription drugs, but also on the pharmacies themselves. Pharmacy Benefit Managers, also known as PBMs, are responsible in large part for driving up the out-of-pocket costs of prescription medications.

PBMs are the intermediary of the health care marketplace, connecting pharmacies with the drug manufacturers. In theory, PBMs "negotiate larger rebates from manufacturers," which in turn lowers the price of drugs. I can tell you that this is far from reality. In recent years, PBMs have been employing questionable business tactics that increase their bottom line while also making drugs more expensive for patients.

One of the ways in which they do this is by favoring higher priced drugs because they are entitled to a larger rebate than they would receive if they favored more cost-effective drugs. This raises the price of pharmaceuticals significantly, which forces the pharmacies to sell to patients at a higher cost—something I can guarantee that they do not want to do.

Another way PBMs increase the cost of pharmaceuticals is by engaging in a tactic called "spread pricing," which is when they charge payers like Medicaid more than they pay the pharmacy for a drug. This can cost health care providers hundreds of dollars per prescription drug, which providers must recoup by charging consumers more. An example of this involves the drug Pregabalin, an anti-epileptic drug that also treats nerve and muscle pain. With a national PBM using spread-pricing, the cost of Pregabalin is \$168.29. But without spread pricing, the cost of the same drug is just \$30.35. Because roughly 90% of the drugs dispensed

in the United States are generic drugs, this practice has a devastating impact on out-of-pocket prescription drug costs overall.

Many people have told me that they blame the high cost of drugs on manufacturers, but there's a bigger picture that they're missing. Instead, this frustration should be redirected at the three major PBMs in the United States: CVS Caremark, Express Scripts, and OptumRx, which together control nearly 80% of our prescription drug market. These PBMs are all owned by larger health care companies: CVS Health, Cigna, and UnitedHealth Group, respectively. This gives them nearly total control of America's healthcare market, allowing them to dictate prices however they wish.

It is clear to me that consumers aren't the only ones feeling the effects of this monopoly on health care. Realizing the situation was only going to get worse, I sold my pharmacy in 2014. Unfortunately, many of my peers were not as lucky. In Delaware alone, I know of six pharmacies in the last three years that have either closed or been sold as a direct result of the unfair practices of PBMs.

To fully understand the negative impact of PBMs, consider this: the Delaware Auditor's Office recently conducted a study on the state's employee benefits fund. When they examined what Delaware paid to PBMs and what PBMs paid to pharmacies, they found that PBMs skimmed 24 million dollars in just one year. This is money that could have gone to small pharmacies like the six who had to close their doors, but is being redirected upwards instead. This is creating hardship for consumers and pharmacies alike.

It is clear that PBMs need to be reined in. The lack of transparency regarding this pharmaceutical industry middleman is troubling and needs to be addressed. The Federal Trade Commission has already launched an inquiry into the prescription drug industry, requiring the six largest PBMs to send in a detailed report on their business practices. In addition to this, Sen. Chuck Grassley, R-Iowa, and Sen. Maria Cantwell, D-Washington, recently proposed a bipartisan bill to combat rising prescription drug prices as well as requiring more transparency within the health care industry.

While both of these initiatives may help make a tangible difference in the way the pharmaceutical industry is run, we shouldn't stop there. Prescription benefit managers have immense power, and will continue to use that power to increase their profits at the expense of consumers and the mom-and-pop pharmacies in our communities. We cannot let that happen.

Kim Robbins is executive director of the Delaware Pharmacist Society.