

PBM Reform

Patient Perspective

**Kentucky Interim Joint Health, Welfare and
Family Services Committee Hearing**

November 15, 2022

We are *proudly affiliated* with the **Diabetes Leadership Council (DLC)**

**DIABETES
PATIENT
ADVOCACY
COALITION**



**DIABETES
LEADERSHIP
COUNCIL**

- *DLC provides policy expertise for lawmakers and advocates*
- **DPAC turns knowledge into action through grassroots advocacy**



PATIENT POCKET
PROTECTOR
C O A L I T I O N

The purpose of the Coalition is to unify chronic illness advocates, to build legislative support to drive policy change, and to tackle financial toxicity impacting out-of-pocket patient costs.

Member Organizations



COLLEGE
DIABETES
NETWORK

autoimmune
association



Diabetes Sisters 

on your own but not alone™



Association
of Women in
Rheumatology



NAMI
National Alliance on Mental Illness

Oklahoma



Children with Diabetes®
www.childrenwithdiabetes.com

Supporting Organizations

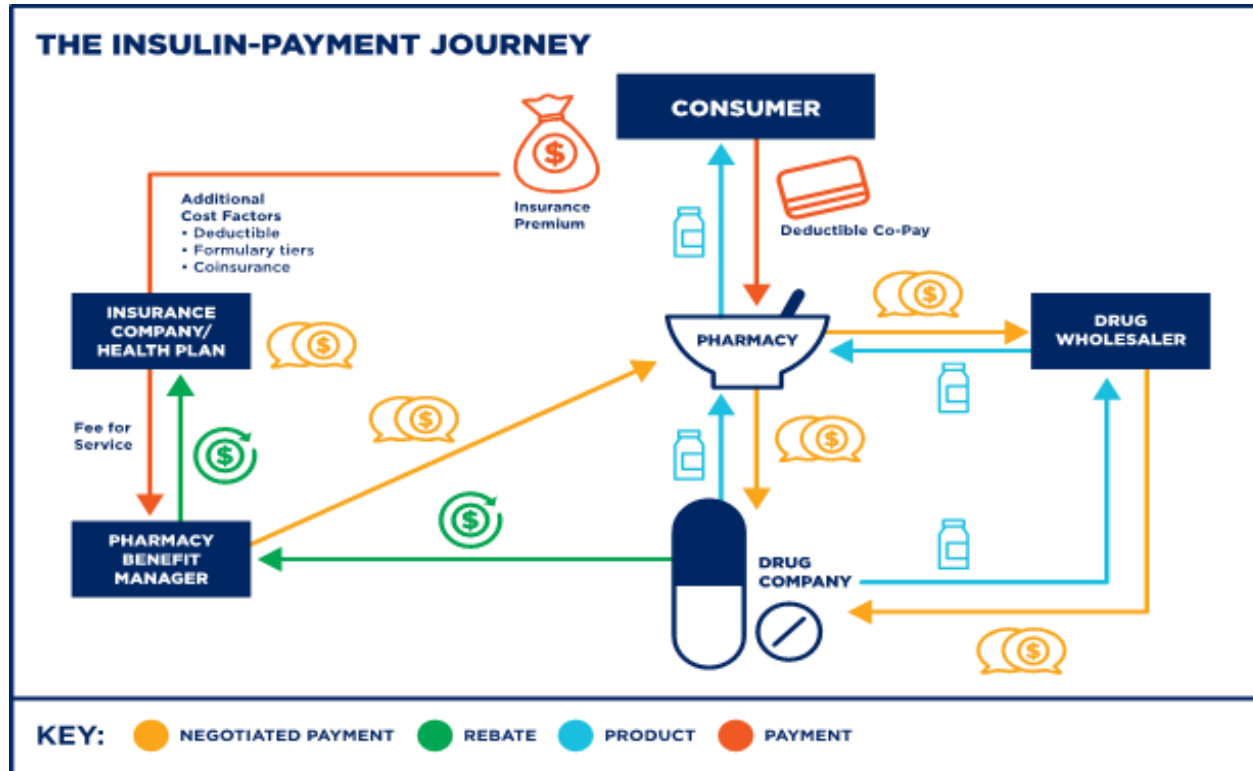
AIDS-CT
Arthritis Foundation
PBM Accountability Project
Patients Rising

Alliance for Transparent and Affordable Prescriptions
Lower Out of Pocket Costs Coalition
HIV-Hepatitis Policy Institute

THE diaTribe
FOUNDATION

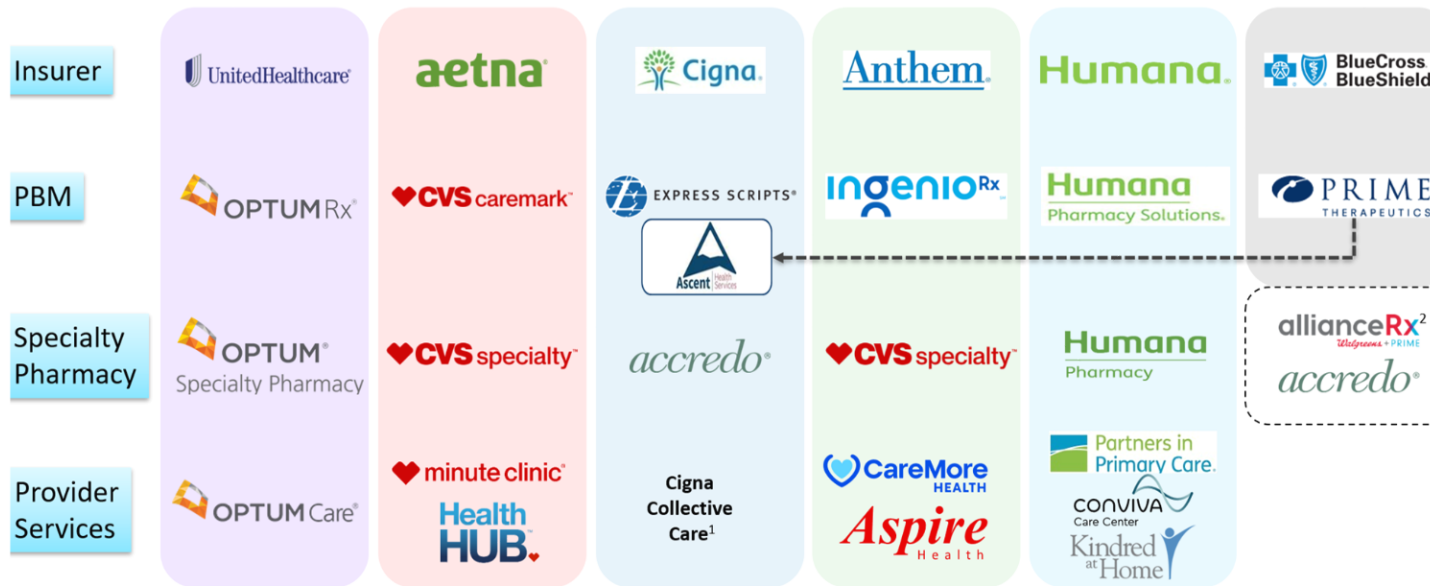


WHAT NEEDS TO CHANGE: A FLAWED SYSTEM



Relationships blur the picture – where's the \$?

Let's Get Vertical: Insurer + PBM + Specialty Pharmacy + Provider

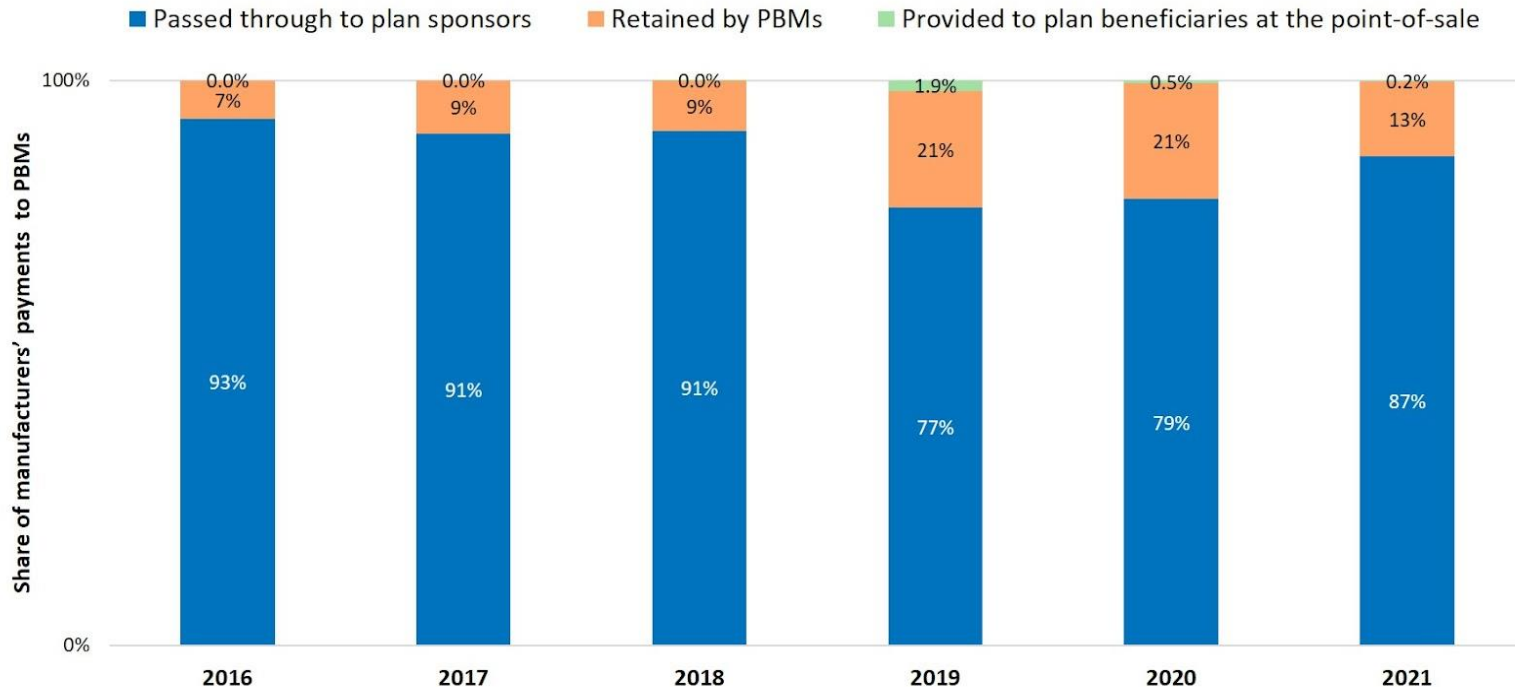


1. Cigna partners with providers via its [Cigna Collaborative Care](#) program. However, Cigna does not directly own healthcare providers.

2. AllianceRx Walgreens Prime is jointly owned by Prime Therapeutics and Walgreens Boots Alliance.

Source: Drug Channels Institute research. An earlier version of this chart appears as Exhibit 89 in *The 2020 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. (<http://drugch.nl/pharmacy>)

Use of Manufacturers' Rebate and Other Payments to PBMs, Texas, 2016 to 2021



PBM = pharmacy benefit manager

Source: Drug Channels Institute analysis of Texas Department of Insurance data. Total payment equals aggregated rebates, fees, price protection payments, and any other payments that PBMs collected pharmaceutical drug manufacturers.

Published on *Drug Channels* (www.DrugChannels.net) on August 9, 2022.

The lowest cost drug doesn't always win

Medicare Part D:

- In 2016-2018 new generics launched at an average savings of 30% yet only 25% of them were covered in the 1st year
- In 2020 less than half of generic products were placed on generic tiers
- Over last decade generic coverage on generic tiers dropped from 93% to 45%

A Perverse Incentive

PBMs and Plans get more money when they cover a higher priced brand drug, rather than a less expensive generic or biosimilar.
That's bad for patients.

Rebates affect prescription drug costs for every chronic condition, average 48% for all brands¹

DIABETES

Fast Acting Insulins	73%
Intermediate- or Long-Acting Insulins	71%
Combinations of Oral Blood Glucose Lowering Drugs	63%
DPP-4 Inhibitors	65%
GLP-1 Analogues	38%

OBSTRUCTIVE AIRWAY DISEASES

Selective beta-2-adrenoreceptor agonists	64%
Andrenenergics in combo with glucocorticosteroids or other drugs	67%
Glucocorticosteroids	69%

CHRONIC DISEASE PATIENTS OVERPAY WHEN REBATES AREN'T SHARED

OTHER CONDITIONS	REBATE
Hepatitis C	47%
Ulcerative Colitis	44%
Incontinence	58%
Migraine	34%
Menopause	35%
Male hypogonadism	50%
Exocrine pancreatic insufficiency	29%

1. National Bureau of Economic Research working paper 28439 <https://www.nber.org/papers/w28439>

2. Kakani P, Chernew M, Chandra A. Rebates in the pharmaceutical industry: evidence from medicines sold in retail pharmacies in the U.S. March 2020. NBER Working Paper 26846. <https://www.nber.org/papers/w26846>.

Patient Deductible Phase

Current State

Retail List Price: \$100.00
Rebate \$ 48.00

Manufacturer \$ 52.00
PBM/Insurer \$ 48.00

Patient Pays \$100.00

69% of patients will abandon a prescription if the cost is > \$250

With Reform

Retail List Price: \$100.00
Rebate \$ 48.00

Manufacturer \$ 52.00
PBM/Insurer N/A

Patient Pays \$52.00

For illustrative purposes, model does not depict pharmacy fees

THE COST OF PASSING THROUGH REBATES IS NEGLIGIBLE

Actuarial study released in January 2022¹

Change in payer costs for rebate pass through

- Copay PPO 0.0% cost increase
- Coinsurance PPO 0.4% cost increase
- Copay HDHP 0.4% cost increase
- Coinsurance HDHP 0.6% cost increase

Study did not reflect major medical savings by having healthier patients

Express Scripts

June 2022 Study²

Capping costs for diabetes medications at \$25/mo resulted in higher adherence and a 16.3% overall reduction in medical costs from diabetes

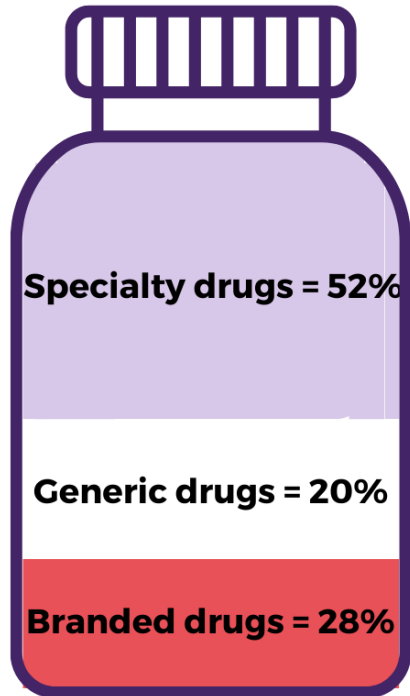
Reduced hospitalization costs drove the savings

1. Milliman: Measuring the Impact of Point of Sale Rebates on the Commercial Health Insurance Market

2. <https://www.fiercehealthcare.com/payers/express-scripts-sees-lower-costs-better-adherence-program-cap-diabetes-drug-costs>

DRUG SPENDING IS ~10%¹ OF OVERALL HEALTH CARE COSTS

Breakdown of drug spending^{2,3}



Branded drugs = ~2.8% of overall health care costs

Rebate pass through during the limited deductible period simply cannot have a material impact on overall health care costs

It is more likely that rebate pass through will lead to overall plan savings

1. <https://www.cbo.gov/publication/51112>

2. <https://www.fiercehealthcare.com/payer/cvs-specialty-drugs-accounted-for-52-pharmacy-spend-2020>

3. <https://accessiblemeds.org/sites/default/files/2020-09/AAM-2020-Generics-Biosimilars-Access-Savings-Report-US-Web.pdf>

Legislative Principles



To ensure that proposed legislation achieves our goal of protecting patients' pockets, we are prioritizing the following legislative principles for bills addressing PBM rebate reform:

- A **minimum of 80%** of rebates and discounts must be passed through to patients at the point of sale
- All copays that are a percentage of price must be calculated based on the price **net of rebates and discounts**
- Civil penalty per violation to be levied by the state department of insurance or other entity for **noncompliance** by an insurer



PBMs were created for medical billing of pharmacy transactions

They don't make anything

They don't touch anything

They report only to their shareholders

They don't have a fiduciary responsibility to the patient

UnitedHealth Care had \$24billion in 2021 earnings

*** OptumRx represented >50% of that profit¹**

Patients are being harmed by PBMs' business practices

Patients pay a premium for access to a club that is still closed off to them

Patients need your help



1. <https://www.mprnews.org/story/2022/01/19/optum-again-a-big-revenue-driver-for-unitedhealth-in-2021>

Questions?