



Pharmacy Benefit Manager Reform

What States Are Doing

Women In Government
November 14, 2024

diabetesleadership.org



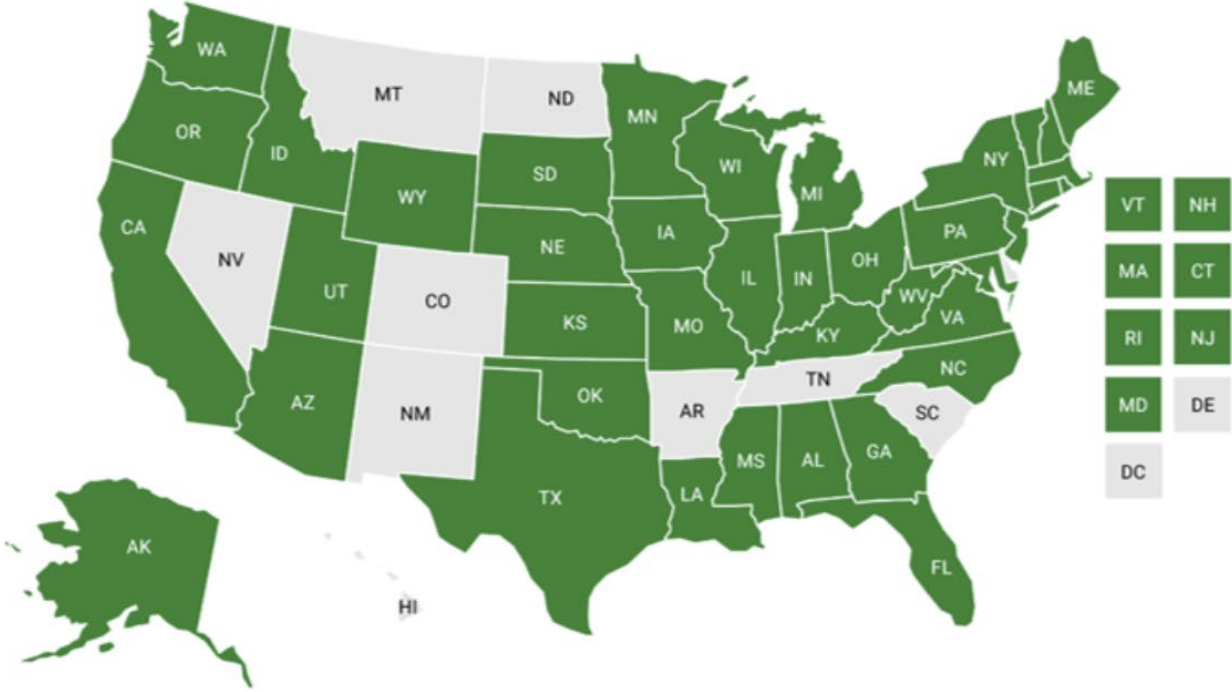
Who We Are



- **Driving Patient-Centered Diabetes Policy**

- The Diabetes Leadership Council is a 501 (c) 3 organization that reduces barriers to effective, accessible and equitable care by informing policymakers about the priorities and lived experiences of the diabetes community.
 - Diabetes expertise and leadership
 - Singular focus on patient-centered policy
 - Conveners of the broader diabetes community

PBM Bills: 155 Bills in 40 States Introduced in 2024

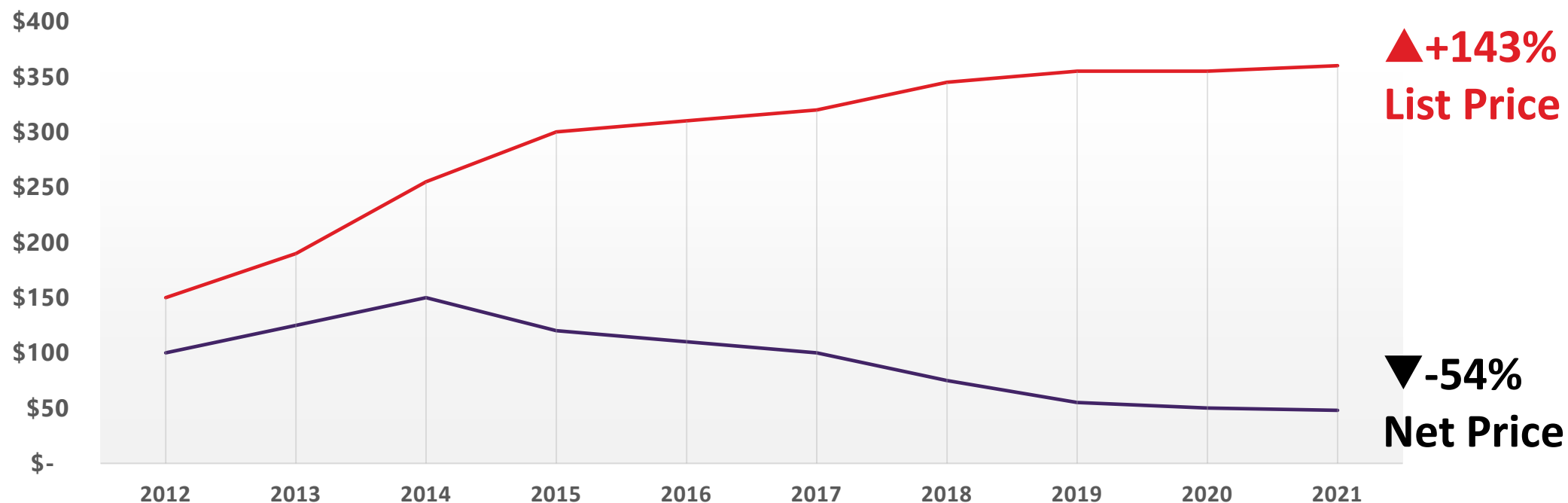


Lawsuits filed against PBMs by State Attorneys General in HI, CA, Ohio, KY, and others for alleged over-charging, unfair and deceptive acts and practices, and exorbitant rebates.

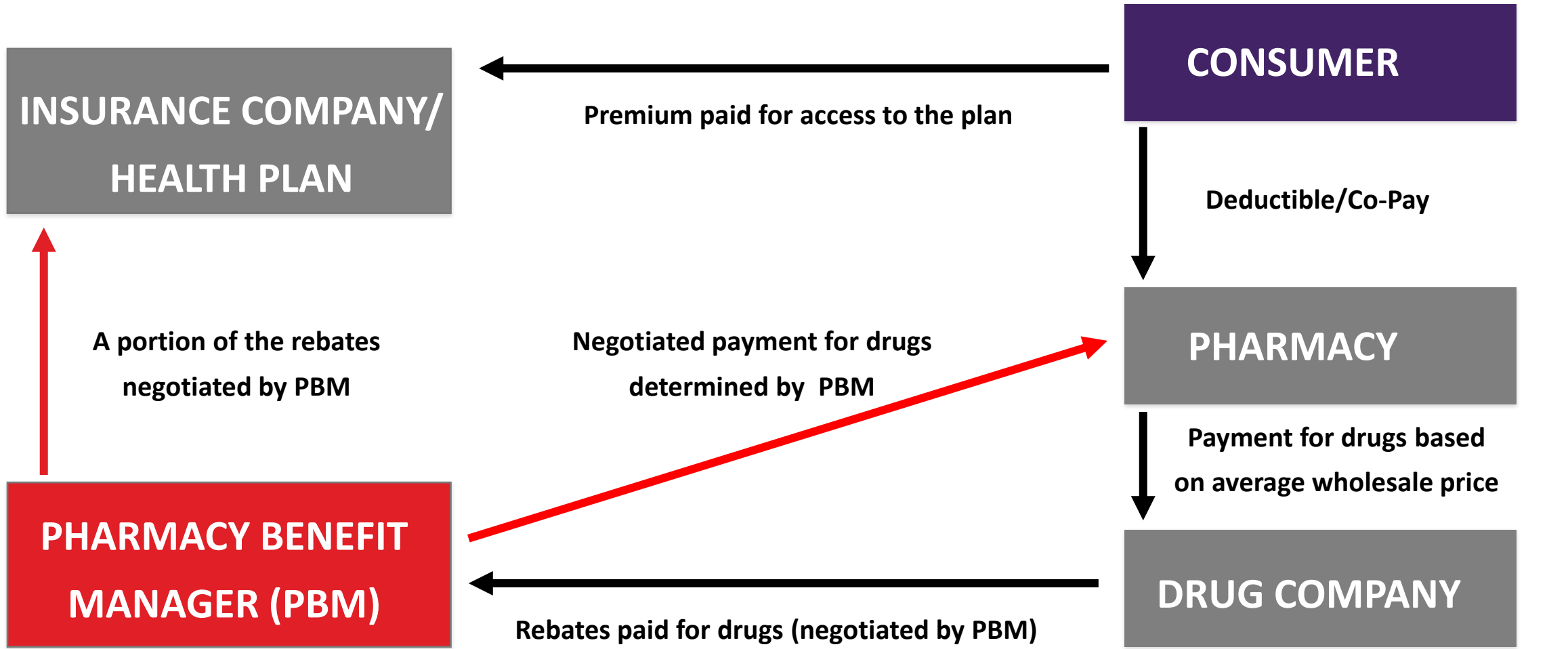
All 50 states have passed at least one law regulating PBMs

Rebates Inflate List Prices

Insulin rebates can exceed 70%¹ vs. 48% for all brands²



Follow The Money \$



Vertical Integration

Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2023



Sharing Rebates Is Cost Neutral

- **Overcharging Participants for Drugs = False Economics**
 - They will either meet their deductible early and you pay a future claim
 - OR
 - Potentially ration their medicines and wind up in the ER
- Note: the study did not reflect major medical savings by having healthier patients

Estimated premium impact of full rebate pass through at the point of sale

0.4% – 0.6%

depending on plan type¹

State Actions To Date - Rebates

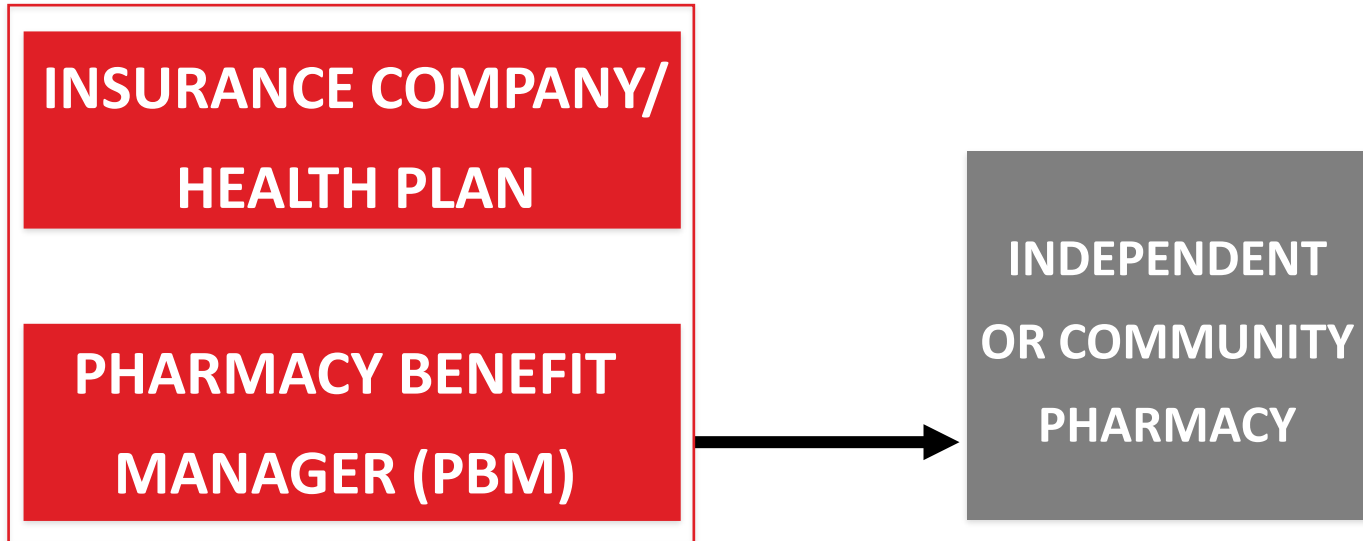
- 27 states require reporting of rebates or other information to the state (transparency)
- 11 states requiring PBMs to share rebates or other information with health plans
- 4 states require rebates passed through to patients at point of sale
 - Over 20 states considered rebate pass through in 2024

Federal Actions

- FTC report June 2024
- FTC lawsuits against PBMs Sept 2024
- Senate Finance Committee Report - 2020
- Proposed legislation in Congress to delink PBM fees from drug pricing

PBM Practices Hurting Pharmacies

Owned by the same parent company



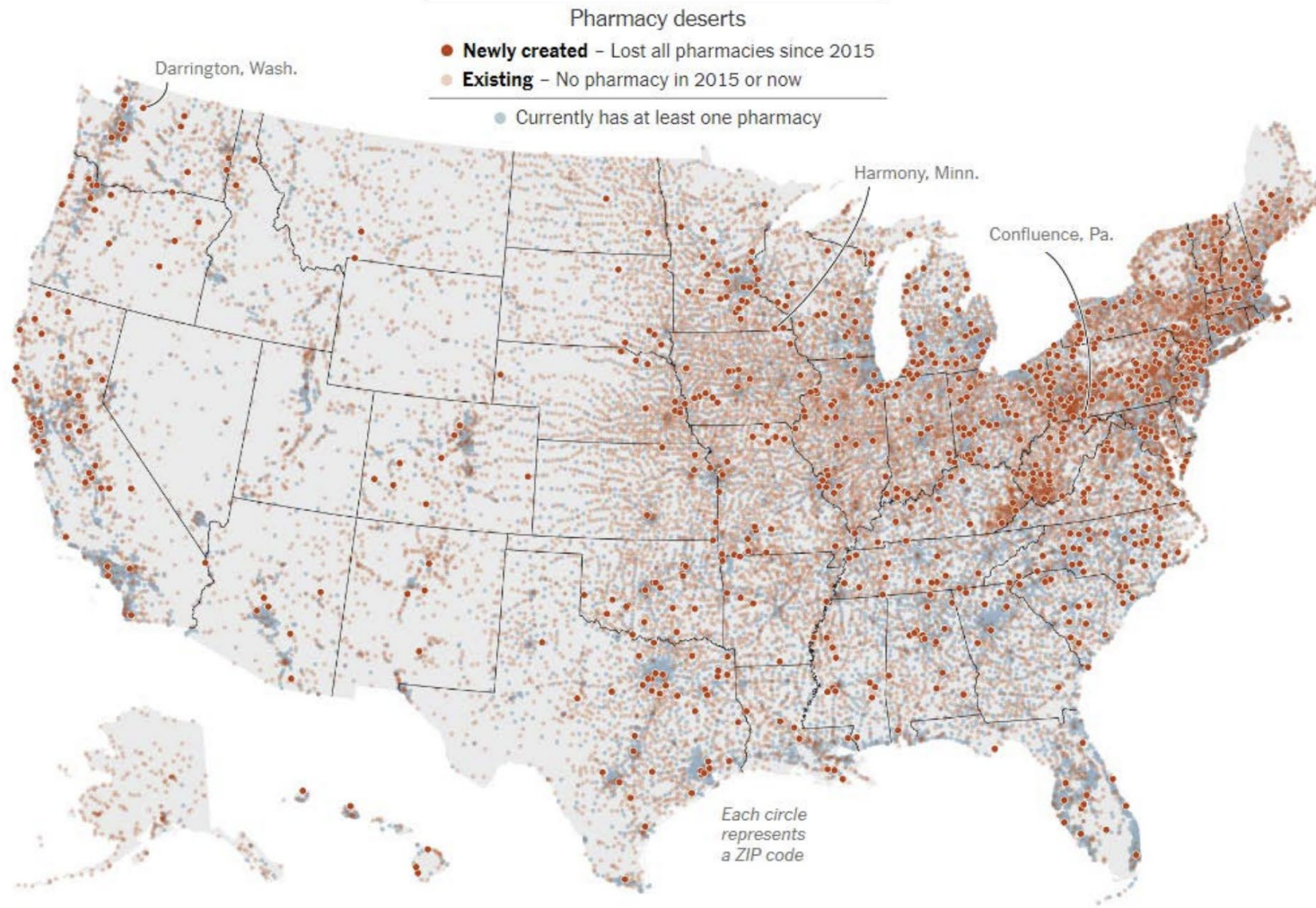
Reimbursement for drugs determined by PBM through contract negotiations to be an “in network” pharmacy for the health plan – may be lower than what the drugs actually cost the pharmacy to stock

2,275 pharmacies closed in the first eight months of 2024¹

- ~50% chain
- ~50% independents

Nearly 19,000 independent pharmacies operate in the US²

- 2/3 serve communities with less than 50,000 residents



Patients Left Out In The Cold

Pharmacy Deserts:

any geographic area located at least 10 miles from the nearest pharmacy

Notes: The data reflect closings of both chain and independent pharmacies. The map compares deserts on July 31, 2015, with deserts on Sept. 30, 2024. The Census Bureau tracks more than 33,000 ZIP codes. Source: Luke Slindee analysis of pharmacy data By Karl Russell

Case Report: Bell's Pharmacy Closure - GA

- Bell's Family Pharmacy cited low reimbursements and other PBM practices as the primary cause. It was the only stand-alone retail pharmacy in town.
- Bell's closure is part of a disturbing pattern of independent pharmacy closures over the last several years including Jones Pharmacy (Fayetteville), Concord Pharmacy (Dunwoody), Larry's Pharmacy (Waycross), and more
- Despite offering high touch clinical and personalized services, Georgia independent pharmacies continue to suffer at the hands of large PBMs including low and underwater reimbursements from Georgia's State Health Benefit Plan

15 Commonly Prescribed Generics – Drug Name/Strength ¹	Average Payment to 3 Closest Retail Chains ²	Bells' Family Pharmacy Payment	Chain Payment vs. Bell's - % Difference
Atorvastatin Cal 20 mg 90-day	\$46.87	\$1.90	2,367% higher
Bupropion Hydro ER (XI) 300 mg 90-day	\$53.75	\$5.54	870% higher
Metformin Hydro ER 500 mg 30-day	\$13.40	\$1.29	939% higher
Metoprolol Tartrate 100 mg 90-day	\$23.89	\$14.44	65% higher
Amlodipine Besylate 10 mg 90-day	\$23.55	\$1.51	1,460% higher
Levothyroxine 100 mcg 90-day	\$4.00	\$4.39	10% lower
Lisinopril 20 mg tablet 30-day	\$9.71	\$1.72	464% higher
Losartan Pot 50 mg 90-day	\$41.44	\$4.74	774% higher
Omeprazole DR 10 mg 90-day	\$102.65	\$66.59	54% higher
Esomeprazole Mag. 20 mg 90-day	\$61.68	\$32.66	89% higher
Simvastatin 20 mg 90-day	\$30.00	\$7.50	300% higher
Montelukast Sod 4 mg 90-day	\$45.38	\$23.58	92% higher
Escitalopram Oxalate 20 mg 90-day	\$55.10	\$9.01	512% higher
Topiramate 200 mg 90-day	\$62.13	\$15.16	310% higher
Cephalexin 500 mg 7-day	\$12.63	\$2.05	516% higher

Current State

- **Unsustainable Pharmacy Reimbursement Models**
 - Below-cost product-based reimbursement has led to pharmacy closures and reduced funding for essential services, putting community pharmacies in crisis
 - Direct and indirect remuneration (DIR) fees aka “clawbacks”
 - Unpredictable and difficult for pharmacies to manage
 - Retroactive calculations and lack of transparency regarding the specific performance metrics used
- **Inadequate funding has caused safety and workplace issues, negatively affecting patient care**

Community pharmacies are currently defined only by the product they dispense and not by the service provided

Pharmacy Product Reimbursement: Essential Questions

- Why does one pharmacy get paid \$300 and across the street another is paid \$10 – for the same medication?
- Why are patients told pharmacy X has a copay of \$15 while pharmacy Y is \$5?
- What justifies this payment differential?

Ultimately, uneven PBM reimbursement weakens the whole system.



Example Legislation: Georgia HB 1363 (Vetoed)



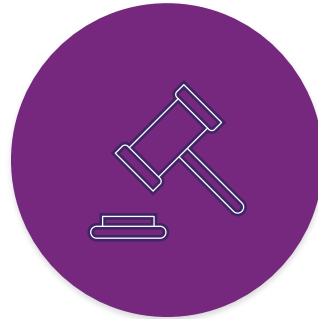
Transparent Reimbursement

Mandates that drugs dispensed to a covered person under a state health plan be reimbursed using a transparent, index-based price, plus a dispensing fee



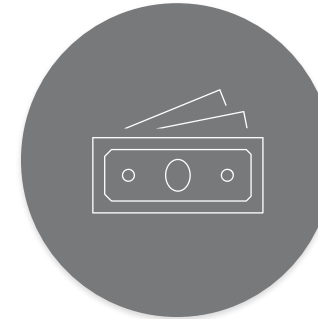
Financial and Compliance Audits

Allows the state Department of Insurance to conduct financial and compliance audits of PBMs to ensure transparency and accountability



Restriction On Steering

Restricts PBMs from steering patients to certain drug brands, aiming to prevent conflicts of interest and ensure fair competition



Increased Rebates For Pharmacies

Aims to increase the amount pharmacies receive in cost-lowering rebates that drug makers send to PBMs for prescription purchases



Reporting Requirements

PBMs are required to publicly report how close their negotiated drug prices are to a national average, providing more transparency in pricing

State Actions To Date – Pharmacy Protections

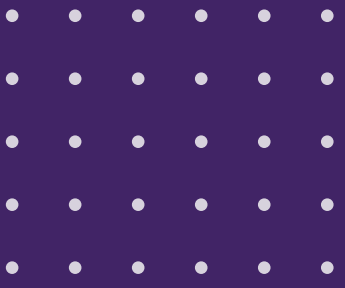
- 24 states prohibit discrimination against non-affiliated pharmacies
- 22 states prohibit clawbacks/retroactive denials
- 8 states established pharmacy network requirements
 - Also protects patient choice
- 27 states prohibited discrimination against 340B-covered entities

State Actions To Date - Other

- 16 states have passed legislation prohibiting spread pricing
- 33 states require PBMs to be licensed or register with the state
- 10 states allow a party in contract with a PBM to audit the PBM to ensure compliance
- 2 states require the PBM to have a fiduciary responsibility to the insurer
 - In 2024, 2 large employers (Johnson & Johnson and Wells Fargo) are being sued by their employees in a class action lawsuit under the ERISA law
 - Breach of duty to manage drug costs – charging participants inflated prices
 - Not covering lower cost generics on the plan
 - Steering participants to a more expensive pharmacy – specifically for specialty drugs
 - Failing to manage service provider costs
 - Lack of transparency in claims

State Actions To Date – Is Your State Doing This?

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Thank you.

George Huntley

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Use this QR code to access DLC's 2024 State Legislative Diabetes & Obesity Handbook!

