

## **How Competition and Accreditation Encourage Appropriate PBM Transparency**

### **Marketplace competition among PBMs allows plan sponsors to safeguard their interests.**

- PBMs compete vigorously in the marketplace to win and retain the business of plan sponsors. Plan sponsors can and do switch PBMs if they are dissatisfied with a PBM's performance, pricing, degree of transparency, or any other factor.
- To be competitive, PBMs offer a wide range of pricing programs and approaches. Plan sponsors choose the best arrangement that best matches their needs and abilities. Some PBM clients prefer fully transparent pass-through contracts, while others prefer that a PBM be compensated with spread pricing. Each approach has its pros and cons for a plan sponsor.

### **Legal and business consultants work with plan sponsors to develop legal agreements that protect the sponsor's financial and business interests.**

- Contracts with clients obligate the PBM to perform specific tasks, meet agreed-upon performance guarantees, provide appropriate transparency, and cover contingencies that could arise during the term of the agreement. Plan sponsors can negotiate for stringent performance standards, enhanced audit rights, price transparency, disclosure of rebates, indemnification, or other contractual issues.
- PBMs are bound by contract to be fully transparent as required by their clients. PBMs typically offer their clients a range of highly transparent benefit design options. A client's contract with a PBM generally spells out details such as drug discounts, pharmacy dispensing fees, administrative fees, formularies, pharmacy networks, benefit design options, other contracted services, as well as levels of disclosure and audit rights.
- Procedures for audits are part of the standard negotiations during the RFP and contracting process. The standards for client audits are known to both parties at the time of contracting and are part of the PBM-client relationship.

### **Plan sponsors regularly conduct detailed audits to ensure PBM performance and contract compliance.**

- PBM clients use multiple types of audits and reviews to make sure they get their money's worth from their PBM agreement. They can also conduct rebate audits to evaluate the PBM's ability to obtain and recover rebate amounts and pass the appropriate portion to the client according to the contract terms.
- Hundreds of service providers, ranging from global consulting companies to sole proprietors, promote services for evaluating and auditing PBMs during the term of a contract.

### **Many PBMs voluntarily participate in third-party accreditation or certification programs.**

- URAC ([www.URAC.org](http://www.URAC.org)) is an independent, nonprofit organization that promotes health care quality through its accreditation and certification programs. URAC Pharmacy Benefit Management Standards require PBMs to have policies and procedures in place that ensure disclosure of rebate structure; disclosure and definition of pricing structure; audit arrangements, and formulary decision making.
- The Pharmaceutical Coalition of the HR Policy Association ([www.pharmacoalition.org](http://www.pharmacoalition.org)) is made up of nearly 60 companies representing more than 5 million lives with collective drug spending of approximately \$5 billion. The Coalition's Transparency in Pharmaceutical Purchasing Solutions (TIPPS) initiative uses a comprehensive certification process to identify PBMs willing to meet the Coalition's transparency standards.