

Marketplace competition among PBMs allows plan sponsors to safeguard their interests

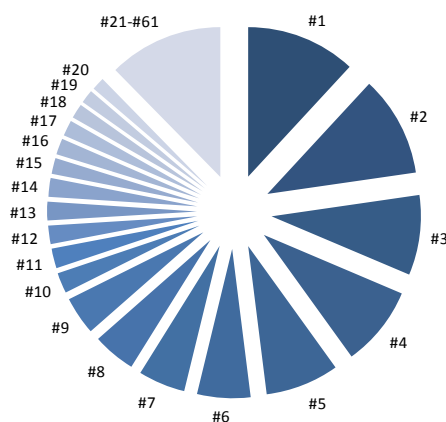
More than 216 million Americans—nearly 90% of all those with prescription drug coverage—get their benefits through pharmacy benefit managers (PBMs), according to the Health Strategies Group.

PBMs compete vigorously in the marketplace to win and retain the business of plan sponsors.

- Currently, there are 61 PBMs managing prescription drug expenditures in the United States. The total number of covered lives—potential members that may be served by any of the PBM’s existing contracts—is spread among many competitors. No single PBM dominates the market.
- The Federal Trade Commission and Justice Department jointly support this vigorous competition, writing: “Just as competitive forces encourage PBMs to offer their best price and service combination to health plan sponsors to gain access to subscribers, competition also encourages disclosure of the information health plan sponsors require to decide on the PBM with which to contract.”¹
- The diverse ownership structure of PBMs provides alternatives for plan sponsors. Publicly traded companies have 37% of the market share (measured by covered lives); subsidiaries of publicly traded companies have 33% of the market share; and privately owned PBMs have the remaining 30% of market share.² Some PBMs are independent companies while others are subsidiaries of managed care plans, chain drug stores or other retail outlets.

No single PBM dominates the market.

PBM Market Share by Covered Lives, 2009



Source: 2000-2009 Pharmacy Benefit Trends & Data, Atlantic Information Services, 2009.

Plan sponsors can and do switch PBMs if they are dissatisfied with a PBM’s performance or pricing.

- A client can trigger a contract change for many reasons including price, dissatisfaction, changes in priorities, changes in ownership, or plan sponsor bidding strategies.
- PBMs may defray the costs of switching at the start of a new contract or provide bonuses to retain a plan sponsor as a customer. These payments increase competition by lowering the costs of switching to a different PBM that offers a more compelling mix of price and service.

¹ *Improving Health Care: A Dose of Competition*, A Report by the Federal Trade Commission and Department of Justice, July 2004, 17. Available at http://www.justice.gov/atr/public/health_care/204694.pdf.

² *2000-2009 Pharmacy Benefit Trends & Data*, Atlantic Information Services, 2009.