



PCMA

PCMA Research for State Affairs

Tim Brogan

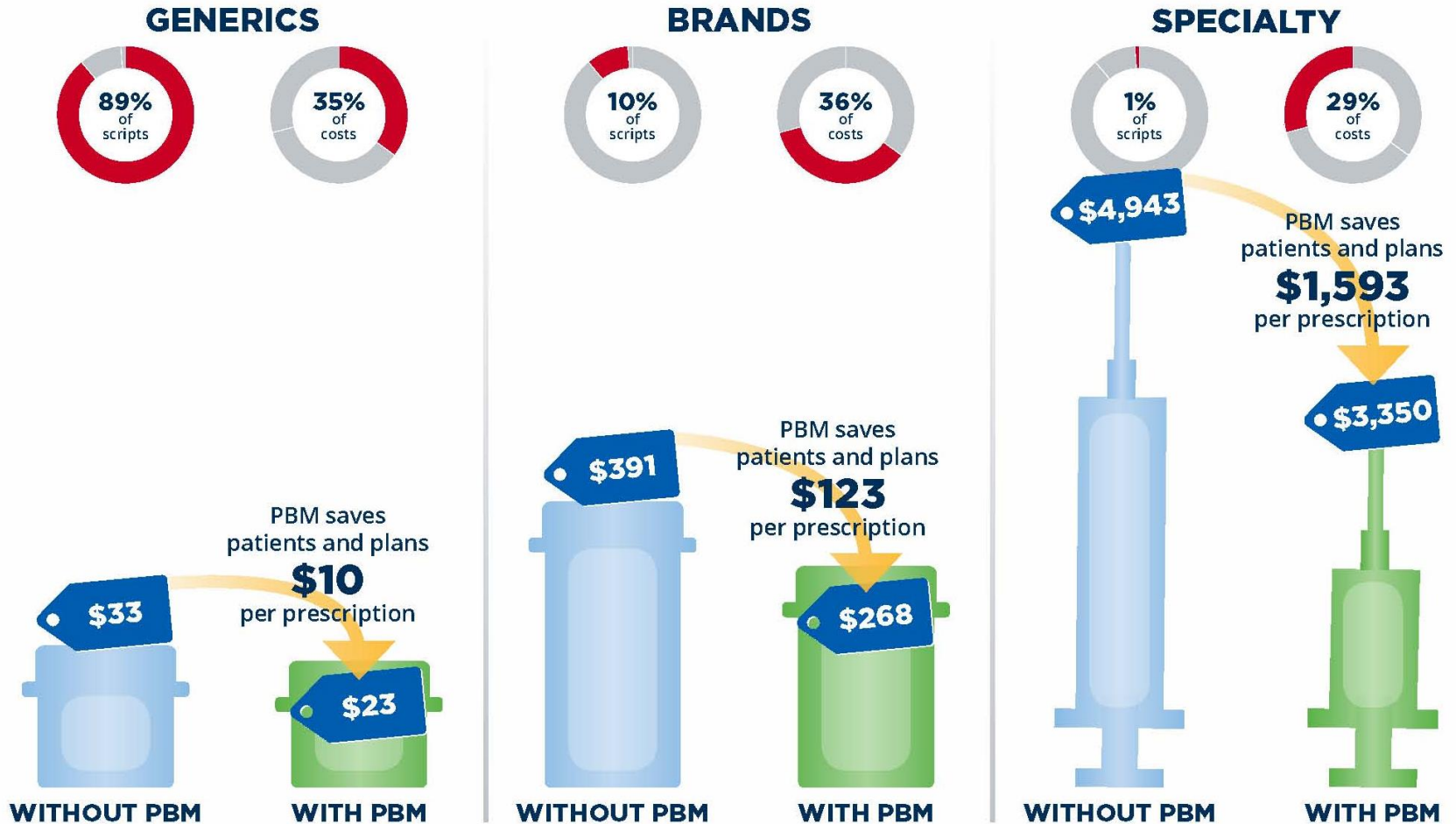
Vice President Research, PCMA

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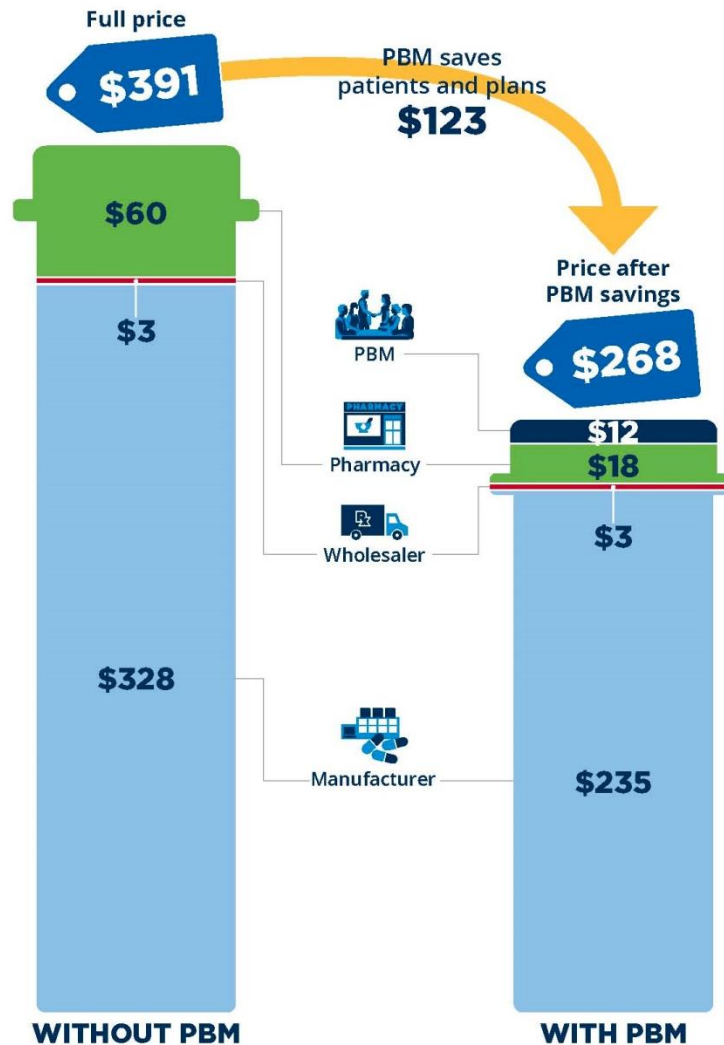
Contents

- PBM savings per script, rebates, and the supply chain
- State-by-state data on covered lives and PBM savings
- Consequences of disclosure mandates
- Dangers of MAC legislation
- Cost of frozen formulary legislation
- Research in progress on the cost of anti-PBM state bills

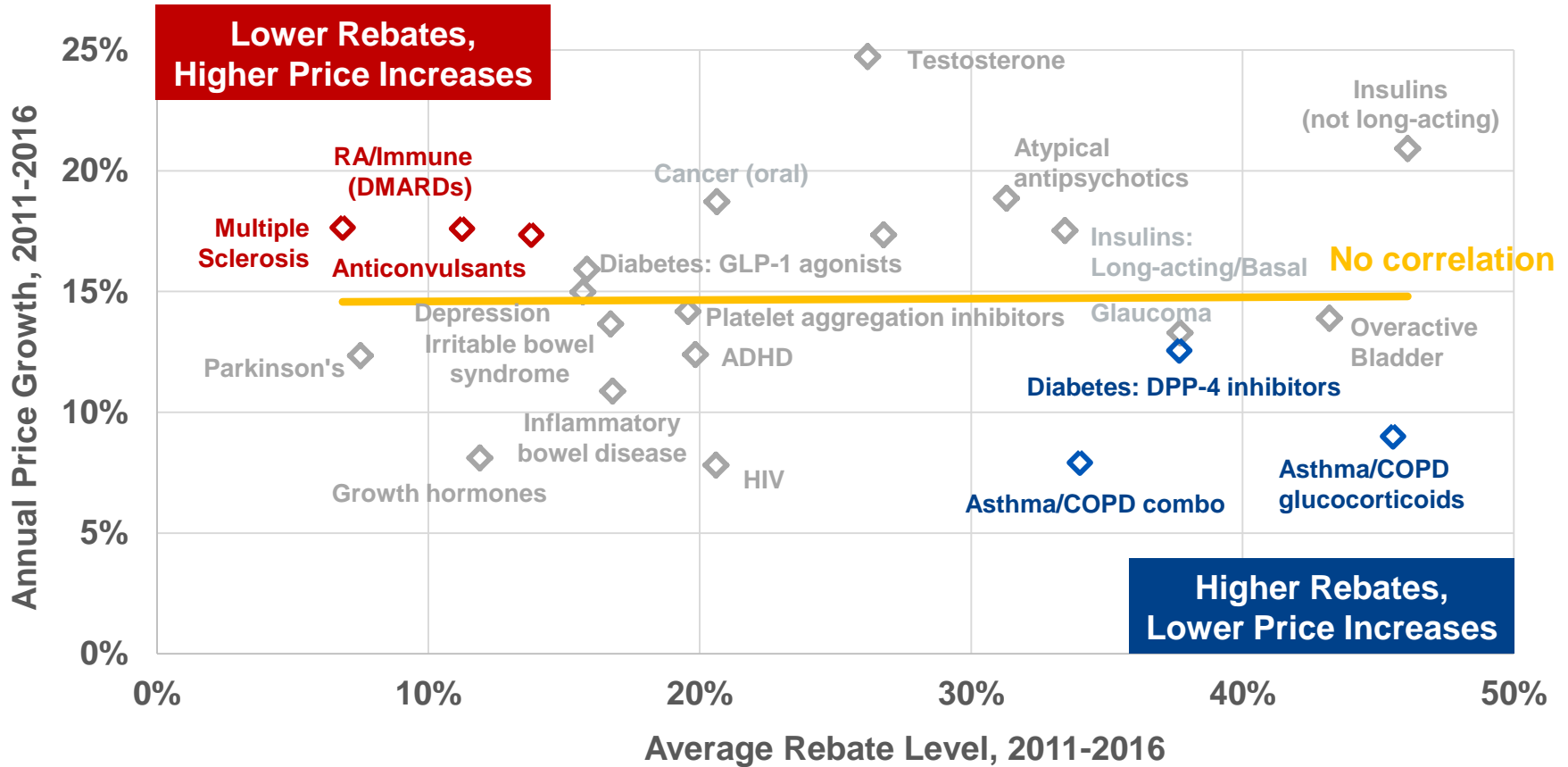
PBM Savings Per Prescription Nationally



PBMs a Small Share of Net Brand Drug Costs

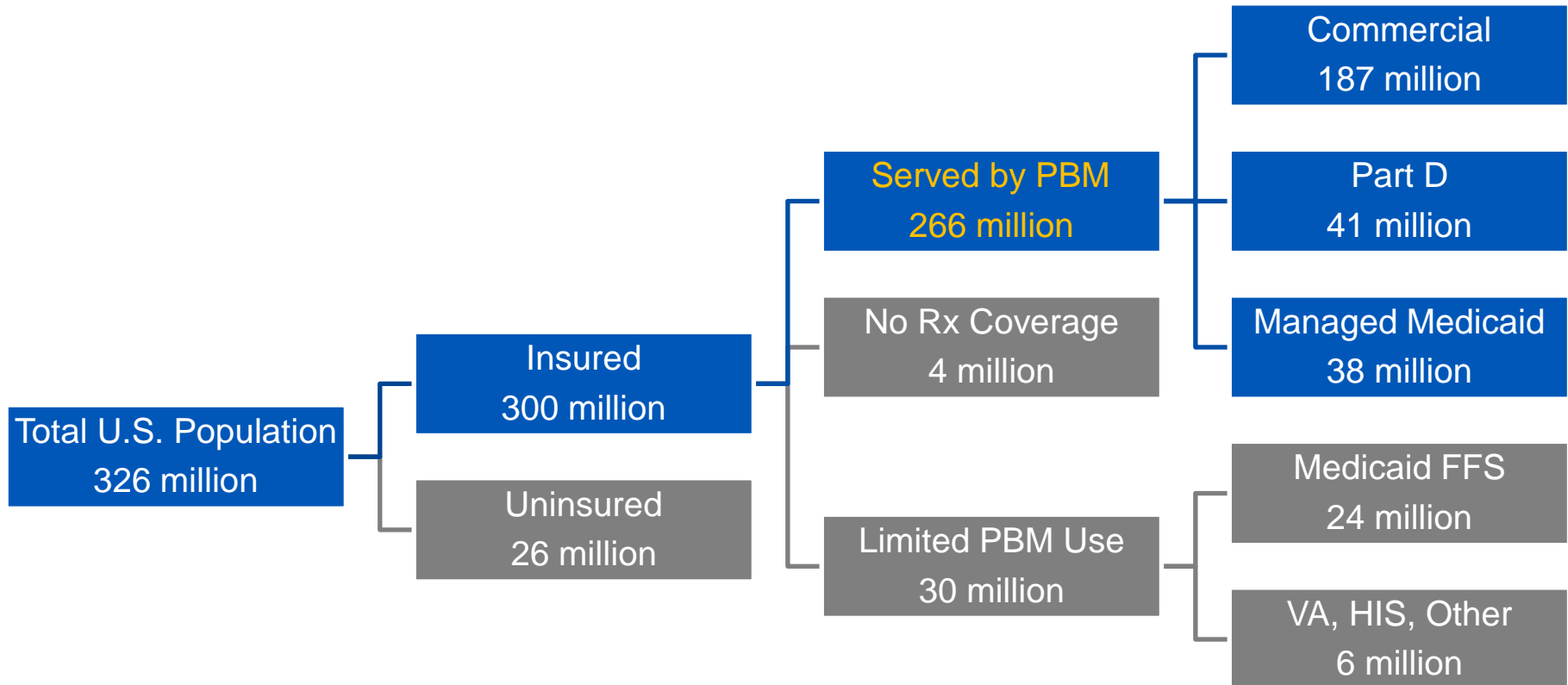


No Correlation Between Drug Rebates and Price Increases



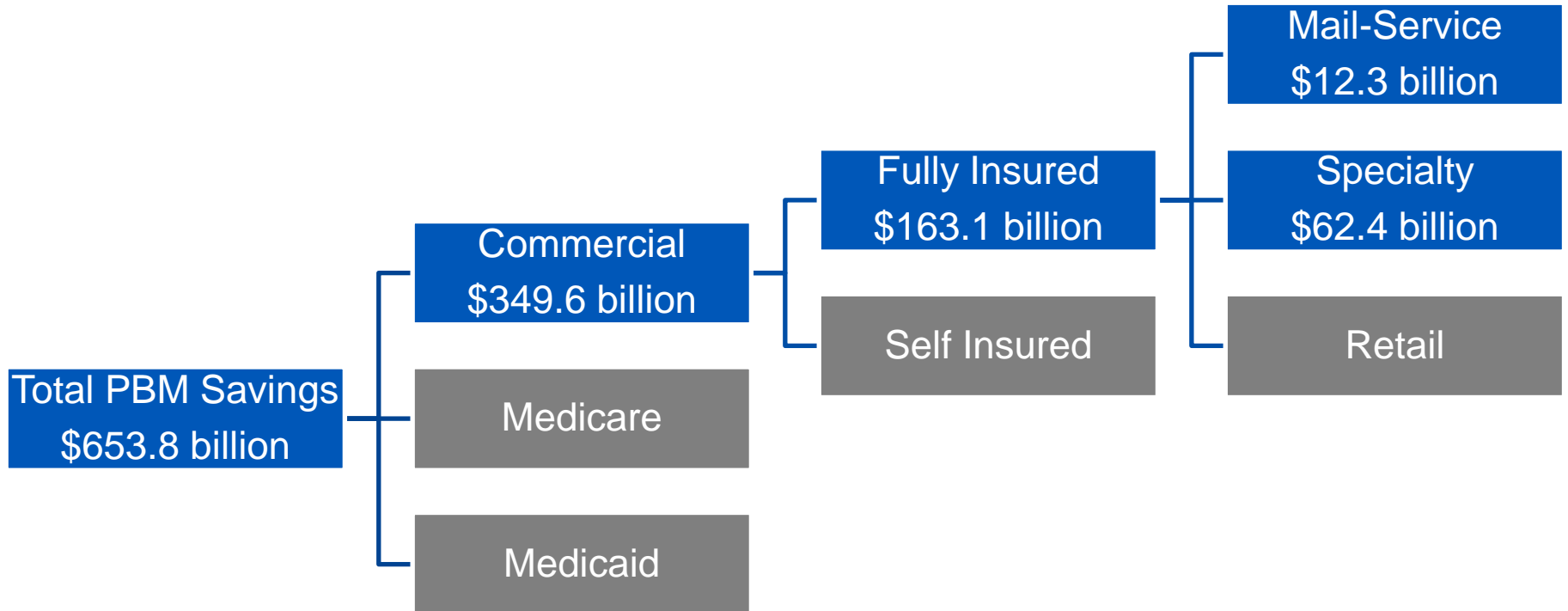
PBM Covered Lives Nationally

State-by-State Data Available



Ten-Year PBM Savings Nationally

State-by-State Estimates Available



Consequences of Disclosure Mandates

Forthcoming independent academic paper highlights the potential consequences of state-level PBM disclosure mandates.



David Hyman, M.D., J.D.
*Professor of Law
Georgetown University*



William Kovacic, J.D.
FTC Chair (2008-2009)

Key Excerpts:

- “Transparency efforts can have significant anti-competitive consequences, and result in higher spending on pharmaceuticals.”
- “Transparency initiatives could undermine competition between pharmacies to be included in PBM networks and between pharmaceutical manufacturers to offer discounts to PBMs. Both outcomes could raise prescription drug prices for consumers.”
- “Our findings argue for greater skepticism about the utility of transparency as a regulatory strategy.”

David A. Hyman & William E. Kovacic, “Using Disclosure to Regulate PBMs: The Dark Side of Transparency,” in *Transparency in Health and Health Care* edited by Holly Fernandez Lynch, I. Glenn Cohen, Carmel Shachar, and Barbara J. Evans, (forthcoming 2018).

Dangers of MAC Legislation

Independent study highlighting the dangers of state-level anti-MAC bills has been peer reviewed and published in an academic law journal.

Key Excerpts:

- “MACs help lower prescription drug spending – which in turn reduces the cost of prescription drug coverage.”
- “Mandatory public disclosure of MACs and the specifics of the underlying methodologies are unlikely to benefit consumers, since both will probably lead to less intensive competition and higher prices.”
- “Requiring specific methods and timeframes for MAC appeals and payment adjustments—including requiring “retroactive” payments—is also likely to result in... increased costs.”



David A. Hyman & William E. Kovacic, “Health Care Competition in the Shadow of State Action: Minimizing MACs,” *Loyola University Chicago Law Journal*, Vol. 48 (3), Spring 2017.

Cost of Frozen Formulary Legislation

Milliman study finds that typical “frozen formulary” legislation would **increase costs for fully-insured plans by \$4.8 billion** over five years if enacted nationwide. Study includes state-by-state estimates.

Study finds frozen formulary bills increase costs in four key situations:

- New generic medication launch: Brand going off patent can't be moved off formulary or up-tiered when generic approved
- New brand medication launch: Existing brands can't be up-tiered when new brand competitor is approved
- New OTC medication: Drug going OTC can't be moved off formulary
- New UM programs: Plan can't change PA, QL, or ST based on marketplace developments

Research on the Cost of Anti-PBM Bills

Visante study in progress will estimate the cost of typical anti-PBM legislation in the following areas:

- Disclosure mandates
- Any willing specialty pharmacy
- PA/UM restrictions
- Fiduciary