



January 10, 2019

The Honorable Representative Lois Landgraf  
200 East Colfax Avenue  
Colorado State Capitol, Room 307  
Denver, CO 80203-1784  
Delivered via email: [lois.landgraf.house@state.co.us](mailto:lois.landgraf.house@state.co.us)

**RE: Drug Supply Chain Hearing – January 10, 2018**

Dear Representative Landgraf:

On behalf of the Pharmaceutical Care Management Association (PCMA) we respectfully submit some background information on pharmacy benefit managers or PBMs. PCMA is the national trade association for PBMs, which administer prescription drug plans for more than 266 million Americans with health coverage provided by large and small employers, health insurers, labor unions, and federal and state-sponsored health programs.

PBMs exist to make drug coverage more affordable for plan sponsors. PBMs achieve this by aggregating the buying clout of millions of enrollees through their payer clients, enabling health care consumers to obtain lower prices for prescription drugs through price discounts from retail pharmacies, rebates from pharmaceutical manufacturers, and using lower-cost dispensing channels. Though unions, large employers, and public programs are not required to use PBMs, most choose to because PBMs help lower the costs of prescription drug coverage.

PBMs strive to meet the specific needs of our clients, employers, health insurance plans, labor unions, state and federal employee-benefit plans, Medicare and Medicaid managed care organizations that pay for the drug benefit. Today, the industry has a 40+ year track record of clinical and cost management innovation. PBMs offer proven tools which are recognized by consumers, employers, policymakers and others as key drivers in lowering prescription drug cost, increasing access, and improving outcomes. PBMs reduce drug cost through a variety of tools, including encouraging formulary compliance through the use of less expensive generics and more affordable brand medications, offering more cost-effective dispensing of medications for chronic use through mail service pharmacies, negotiating rebates and discounts from drug manufacturers, contracting with virtually all retail pharmacies in the country to participate in PBMs' pharmacy networks, and offering programs to reduce fraud, waste and abuse. We offer programs that reduce waste and increase drug therapy adherence that improve health outcomes through plan design, clinical management, step therapy and drug formularies. We work with our clients to ensure that their members and employees have access to necessary medications through a variety of high quality pharmacies, including retail, community, mail-order, and specialty pharmacies.



## PBM Lower Costs for Patients and Payers

According to researchers, PBMs hired by plan sponsors to maximize the value of prescription drug benefits, help patients and payers save \$941 per enrollee per year in prescription drug costs,<sup>1</sup> equaling \$654 billion over the next 10 years.<sup>2</sup> Plan sponsors use these savings to benefit patients by lowering premiums or deductibles. According to one analysis, annual savings generated by PBMs for the commercial sector could cover the cost of more than 700,000 jobs on a national basis.<sup>3</sup> Each 1% decrease in prescription drug expenditures could cover the cost of 20,000 jobs nationwide.<sup>4</sup>

Below are a number of tools that PBMs make available to their plan sponsor clients. Using these PBM tools, PBMs are able to generate \$6 in savings for every dollar spent by patients and payers.<sup>5</sup>

- **Plan Design:** PBMs advise their clients on various options to structure their drug benefits to ensure appropriate use of resources, including encouraging the use of generic drugs and preferred brands. The plan sponsor can choose how they want to spread their cost savings across the drug benefit.
- **Pharmacy Networks:** PBMs contract with over 65,000 network pharmacies to ensure patient access to prescription drugs, to monitor drug safety, and to alert pharmacists to potential drug interactions. Retail pharmacies provide discounts to be included in a plan's pharmacy network in exchange for increased customer traffic.
- **Mail-service Pharmacy:** PBMs provide highly-efficient mail-service that offers safe and cost-effective home delivery of medication. Mail-service pharmacy channels typically give plan sponsors deeper discounts than retail pharmacies, which are passed onto members in the form of lower copayments. These channels also help encourage the use of preferred products for additional savings. Data show that consumers also benefit from

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<sup>1</sup>Visante, Inc. "The Return on Investment (ROI) on PBM Services," Prepared by Visante on behalf of PCMA, November 2016. <https://www.pcmanet.org/wp-content/uploads/2016/11/ROI-on-PBM-Services-FINAL.pdf>

<sup>2</sup>Visante Inc., "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers," Prepared for PCMA, February 2016. <https://www.pcmanet.org/wp-content/uploads/2016/08/visante-pbm-savings-feb-2016.pdf>

<sup>3</sup>Visante, Inc. "Pharmacy Benefit Managers (PBMs): Generating "Savings for Plan Sponsors and Consumers," Prepared for PCMA September 2011 <https://www.pcmanet.org/wp-content/uploads/2016/08/pr-dated-09-19-11-pbms-savings-study-2011-final.pdf>

<sup>4</sup>Ibid..

<sup>5</sup>Ibid..

mail-service via increased adherence, which contributes to better health outcomes.

- **Formulary Management:** PBMs engage panels of independent physicians, pharmacists, and other experts to develop lists of drugs approved by the plan sponsor for reimbursement, and administer cost-sharing and utilization management (e.g., step therapy) criteria as directed by the plan sponsor.
- **Clinical Management:** PBMs use a variety of tools to encourage the best clinical outcomes for patients. These include drug utilization review and disease management programs, which are designed to improve medication adherence and health outcomes. For example, PBMs improve drug therapy and patient adherence in diabetes patients, helping to prevent 480,000 heart failures, 230,000 incidents of kidney disease, 180,000 strokes, and 8,000 amputations annually.<sup>6</sup>
- **Manufacturer Rebates and Discounts:** PBMs negotiate discounts from manufacturers of drugs that compete with therapeutically-similar brands and generics. More than 90% of those rebates and discounts are passed on to our clients to help lower out-of-pocket costs and premiums for their members. As a result of PBM roles in negotiating discounts from manufacturers, PBMs have been able to keep drug costs down and the growth in net prices for prescription drugs continues to fall.

### **PBMs Promote High Quality Pharmacy Care for Patients**

As noted above, PBMs offer their clients a variety of clinical management solutions to help them provide the highest quality pharmaceutical care to their members, which improves outcomes and reduces costs, including:

- Providing patients 24/7/365 access to registered pharmacists and other pharmacy clinicians to provide counseling and answer questions about the patient's therapy;
- Offering programs that encourage patients' adherence to their prescribed medication regimes, which address not only the impact on patient outcomes such as unnecessary hospitalizations, ER visits, strokes or heart attacks, but also the estimated \$300 billion in annual medical costs associated with non-adherence;
- Using evidence-based protocols to help ensure that patients are treated with the right drug, at the right time, and at the right price;
- Providing integrated care programs for patients with complex conditions

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<sup>6</sup> Visante, *The Return on Investment (ROI) on PBM Services*, November 2016



Monitoring patients' medication history regardless of how many different network pharmacies they use, and instantaneously providing alerts to pharmacists about potentially harmful drug-drug interactions, drug-disease state interactions and other potential safety issues; and

- Promoting e-prescribing technology to reduce medication errors and prevent fraud

PBMs have a proven track record of delivering high-quality, affordable benefits that address the individual needs of our clients and patients.

With approximately 80 PBMs in the marketplace, the PBM industry is highly competitive; employer, union and government plans have a variety of choices when considering how best to manage their pharmacy benefit. In order to win business, PBMs have every incentive to reduce drug costs for their plan sponsors by eliminating excessive fees and passing rebate savings along to their plan sponsors and their beneficiaries, without compromising on the quality of care.

If you have any questions please feel free to contact me at 270-454-1773.

Best Regards,

A handwritten signature in black ink, appearing to read "Melodie Shrader". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Senior Director – State Affairs  
Melodie Shrader