PCMA

Risk Mitigation and Pass-through Contracting for Pharmacy Benefit Services

*Employers and other plan sponsors use two basic approaches to pay for the services (e.g., formulary development, drug utilization review, clinical management, claims processing) their selected pharmacy benefit manager (PBM) performs: risk mitigation or pass-through contracting. A **risk mitigation model** (sometimes referred to as "spread pricing") provides plan sponsors with cost predictability by giving a price-certain for prescription drug benefit reimbursement to pharmacies. In a **pass-through model**, the amount paid by the PBM to the pharmacy is passed through to the plan sponsor, and the PBM is compensated through administrative fees.*

The employer or plan sponsor, as the purchaser of pharmacy benefit services and as payer of the prescription drug benefit, should have the final say on the type of pricing model and contract that works best for them.

- Each employer and plan sponsor has unique needs based on their size, population of covered individuals, and ability to bear the risk of price fluctuations from drug manufacturers and pharmacies. Plan sponsors may choose risk mitigation pricing to ensure predictability in knowing what their prescription drug costs will be. **That choice should be theirs to make.**
- **PBMs provide value by taking on financial risk and negotiating lower drug costs.** Removing options from employers and plan sponsors will not reduce drug price prices, insurance premiums, or enrollees' out-of-pocket costs, and will only increase costs and reduce predictability.
- **Eliminating risk mitigation models and requiring pass-through pricing disincentivize competitively negotiated, private-sector arrangements** that allow for greater cost predictability and lower financial risk for each prescription dispensed.

Any legislative changes to the health care system, including additional limitations placed on employers, plan sponsors, and their PBMs, should be designed to lower drug costs. Limiting use of the PBM tools that drive down costs, as some legislative proposals would do, instead would increase costs by giving drug manufacturers and pharmacies greater leverage—to the detriment of patients, taxpayers, employers, and plan sponsors.