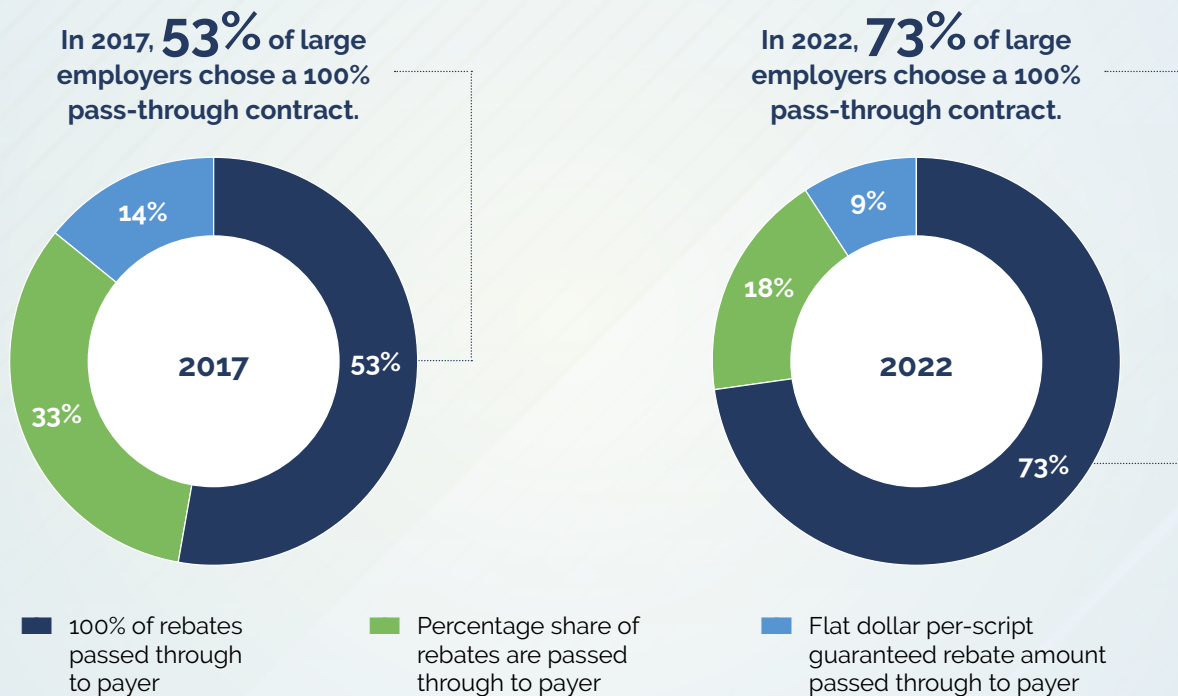


# Most Employers Choose Rebate Pass-Through Contracts for Their Drug Benefits

Employers and other health plan sponsor payers choose how they would like to compensate pharmacy benefit companies for the services and programs they provide. One choice is to allow pharmacy benefit companies to keep a portion of the rebates and discounts they negotiate from drug companies. Payers can also choose to retain the negotiated rebates by asking their pharmacy benefit company to "pass-through" 100% of the rebates to them. In these contracts, payers typically compensate their PBMs via administrative fees. Pass-through contracts are more common now with large employers than they were previously.

Data shows that, on average, the vast majority of rebates are "passed through" from the pharmacy benefit company to the payer (**99.6% in Medicare<sup>1</sup>** and **91% in commercial health plans<sup>2</sup>**). Over time, more large employers have chosen contract arrangements with 100% pass-through. In 2017, 53% of large employers chose a 100% pass-through contract, whereas in 2022, 73% chose that type of contract. This demonstrates that employers and plan sponsors can determine via requests for proposals and contracting how best to compensate their pharmacy benefit company for their services.

## Large Employer Traditional Drug Rebate Structure, 2017 and 2022



Source: Drug Channels. [2023 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers](#).

1 Government Accountability Office, "MEDICARE PART D: Use of Pharmacy Benefit Managers and Efforts to Manage Drug Expenditures and Utilization," 2019.

2 PEW, "The Prescription Drug Landscape, Explored," 2019.

### ABOUT PCMA

PCMA is the national association representing America's pharmacy benefit companies. Pharmacy benefit companies are working every day to secure savings, enable better health outcomes, and support access to quality prescription drug coverage for more than 275 million patients. Learn more at [www.pcmnet.org](http://www.pcmnet.org).