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Fact Check: Pulling Back the Curtains on Big Pharma Backed "Delinking" Legislation and Anti-PBM Rhetoric

Misguided "Delinking" Legislation Would Hand Big Pharma a $32 Billion Bailout Paid for by Patients, Taxpayers, and Health Plan Sponsors, Like Small Businesses

FACT CHECK	BIG PHARMA CLAIM
Rebates	
The Facts: PBMs negotiate with drug manufacturers, acting as the **only real check on their otherwise limitless pricing power**, to secure price concessions such as rebates, which are **largely passed directly to health plan sponsors** who use rebates to help their enrollees (patients and families) including by lowering premiums and offering more comprehensive benefits. These rebates secured from drug companies have **no correlation to high list prices,** which are solely set by drug companies. Experts with the U.S. Centers for Medicare and Medicaid Services (CMS) and Congressional Budget Office (CBO) agreed in 2019 that should **rebates be eliminated, big drug companies would pocket the savings — leading to higher premiums for patients.** Further, pharmacy benefit **companies pass on 99.6 percent of rebates** secured by negotiating against drug companies to secure savings on behalf of seniors in the Medicare Part D program and **91 percent of rebates** secured in the commercial market.	**Big Pharma Claim:** PBMs extract billions of dollars in discounts in the form of rebates from pharmaceutical manufacturers each year. These rebates are used to boost PBM profits, not to lower the costs that patients pay for prescription drugs.
Formularies and Profits	
The Facts: PBMs tend to **prefer the lowest net cost options** on formularies. Pharmacy benefit companies, in coordination with clinical experts on a pharmacy and therapeutics (P&T) committee, typically develop a recommended formulary for payers, who may customize it. Prescription drug formularies **give patients financial incentives** to use the most clinically effective and cost-effective generic, biosimilar, and brand drugs. When there are multiple drug options that are equally effective at treating a medical condition, pharmacy benefit companies are able to use formulary placement to **encourage manufacturers to offer price concessions**. Preferential formulary placement typically offers **lower cost sharing for the less expensive drug to encourage its use over costlier drugs** that provide no meaningful additional clinical benefit. Most PBMs **offer both**	**Big Pharma Claim:** Fees and other list-price based compensation may create incentives for PBMs to maximize their revenue by favoring higher priced medicines over lower list price alternatives.

high list, high rebate listings and low list, low rebate listings in the formulary and the **clients (plan sponsors) make the ultimate choice.** PBMs implement and offer a variety of programs that help patients with affordability, ensuring **greater access to more affordable alternatives** and **helping patients who face high cost sharing, including those in their deductible phase.** Generic drugs offer significant cost savings to health plan sponsors, so pharmacy benefit companies recommend formularies that give patients incentives to use generic drugs instead of more expensive competing brand drugs. Thanks to these incentives, the **generic dispensing rate in the U.S. is 90 percent,** and when they are available, **generic drugs are dispensed 97 percent of the time.** **Plan sponsors ultimately must strike the balance between access and affordability**, which with the flexibility and wide range of options offered by PBMs, they are able to determine what works best for their unique needs.	
The Facts: Pharmacy benefit companies have **low profit margins — much lower than big drug companies. Drug companies keep 65 percent of the prescription drug dollar**, giving the industry trillions of dollars in revenue and some of the highest profit margins of any industry. On the other hand, **pharmacy benefit companies only retain six percent of the drug dollar** – or six cents out of that $1 spent on prescription drugs at the retail pharmacy — while providing immense savings and value for patients, employers, and taxpayers. PBMs **encourage the use of more affordable alternatives**, including generics and biosimilars. Largely due to pharmacy benefit companies' tools and work, The **generic dispensing rate is 90 percent.** In very rare instances, brand manufacturers discount their drugs to a degree that places their net cost below that of competing generics. When the first generic competitor comes to market, it has six months where it competes exclusively with the brand product. **Because competition is still very limited during this period, first-to-market generics typically arrive at a higher price than subsequent generic products**, and brand manufacturers offer significant rebates to retain market share. Pharmacy benefit companies seek to save patients and plan sponsors money by recommending the lowest net cost drug for	**Big Pharma Claim:** PBMs profit from higher priced medicines at the expense of patients and employers.

formulary placement. **Specialty pharmacies are safe and secure, providing lifesaving drugs, handled safely and with chain-of-custody controls, in compliance with U.S. Pharmacopeia guidelines and the federal Drug Supply Chain Security Act. Specialty pharmacies typically save between 11 percent and 45 percent on specialty drugs and will save an estimated $250 billion** between 2023-2032. Specialty medications also constitute 51 percent of all prescription drug spend despite accounting for less than 2 percent of total prescription volume.	
Costly Implications of 'Delinking'	
The Facts: PBMs **provide clinical expertise, recommend formularies, negotiate with manufacturers, negotiate with pharmacies, set up pharmacy networks, operate both mail and specialty pharmacies, process and adjudicate claims, provide utilization management, conduct medication therapy management, run clinical adherence programs, and many other services.** By preventing clients from choosing how to pay for these services, PBMs would have to utilize a fee-based system that would **greatly increase the cost for employers of providing prescription drug benefits.** **"Delinking" PBM compensation will drive up costs, not lower them, including by increasing premiums, $4 to $12.8 billion in Medicare Part D and $8.4 billion to $26.6 billion in commercial health insurance.**	**Big Pharma Claim:** Breaking the link between PBM compensation and the list price of prescription drugs will help fix misaligned PBM incentives that drive up costs for patients and employers and it could increase coverage of lower cost alternatives, including generics and biosimilars, and generate savings for employers and plan sponsors
PBM Consolidation and Vertical Integration	
The Facts: The pharmacy benefit company market is competitive and diverse, with **73 full-service pharmacy benefit managers (PBMs) in the marketplace**, up from 66 in 2019. Recent research has even found that in the commercial market, the top two pharmacy benefit companies across every state include **14 different PBMs.** Further, the **health plan sponsors who voluntarily choose to hire PBMs make the final decisions on benefit design and coverage** and choose how they would like to pay for the services and programs pharmacy benefit companies deliver to them. Moving to a fee-based system of compensation for PBM clinical and administrative services will **add to, not reduce, employers' cost of providing prescription drug benefits.** Health plan sponsors will no longer be able to connect pharmacy benefit company performance to their compensation, which	**Big Pharma Claim:** The PBM market has become highly consolidated, with the three largest PBMs commanding roughly 80 percent market share. Analysts expect that PBMs will charge fees or collect other compensation of the same amount, just structured differently, because the market will continue to be as consolidated as it is today, and PBMs will continue to control formulary access for millions of patients, just as they do today. Fees could be structured in a wide variety of ways as long as they are no longer tied to the price of a medicine.

will reduce the innovation in payment models.	
The Facts: Unlike the market for prescription drugs that is **distorted by big drug companies' abuse of the patent system** that blocks access to more affordable options, the market for pharmacy benefits is **highly competitive with 73 full-service pharmacy benefit companies offering a full range of services and competing in the marketplace today.** Pharmacy benefit companies **compete on product innovation and client services** — resulting in **more choice and more savings for health plan sponsors.** **Leveraging scale is critical to pharmacy benefit companies' role as a counterbalance to the otherwise unchecked pricing power of big drug companies.** Whether you are an employer with 100 employees or a union representing 1,000 lives, you have **no leverage to negotiate with big drug companies on the price of their products.** But if you hire a pharmacy benefit company, as the vast majority of plan sponsors like employers and unions do, then you are able to **tap into the combined negotiating power of many thousands or millions of lives to get a better price — all while also accessing flexible coverage options and additional value, like services supporting better health outcomes.** Pharmacy benefit companies' **clients choose to incent or utilize mail service and specialty pharmacies because they are more affordable and convenient options for clients to provide prescription drug benefits.** **The pharmacy benefit industry supports transparency that enables providers and consumers to access the information they need to make the best possible decisions for their health and finances.** Consumers should have real-time access to information on premiums, cost-sharing, and the benefit structure for their prescription drug coverage. Patients benefit from knowing at the time a physician prescribes a drug what their cost-sharing will be at the pharmacy they select. Providing this information through use of real-time benefit tools (RTBTs) encourages patients to make the most cost-effective decisions on their care.	**Big Pharma Claim:** Vertical integration, coupled with a lack of meaningful transparency, has undermined and distorted market dynamics in the prescription drug supply chain.
Misguided Proposals	

The Facts: Policies that narrowly target pharmacy benefit companies undermine competition by restricting the one actor in the prescription drug supply chain applying downward pressure on drug companies – the root cause of high drug prices – to secure savings which drive down costs and encourage the use of more affordable alternatives, like generics and biosimilars. **Benefit design is a client choice** and through the wide range of options PBMs provide, plan sponsors are able to choose what works best for their unique needs. Pharmacy benefit companies **provide affordable access to prescription drugs for 275 million people** every year, which is over **3.6 billion scripts filled annually**. Pharmacy benefit companies have **programs to help patients who face high cost sharing, including those in their deductible phase**. Pharmacy benefit companies encouraged the U.S. Department of Treasury to **expand the list of preventive care for health savings account (HSA) participants to include a wider range of drugs** used to treat chronic conditions like asthma and heart disease. The U.S. Department of Treasury now allows preventive care prescriptions, including insulin, to be covered at no or low cost sharing ahead of an enrollee meeting the deductible in high deductible health plans. **Patient cost sharing is a function of plan design and PBMs offer and encourage myriad options to support patient affordability.** As an industry, PBMs prioritize patient affordability and encourage the use of lower cost generic and biosimilar products and lower cost brand drugs that produce the same clinical benefits for patients. To support patient affordability and access, PBMs make numerous programs available to mitigate the patient impact of high-cost drugs. **The PBM market is dynamic, diverse, and growing. As of March 2023, there are 73 full-service pharmacy benefit companies in the U.S.** Additional administrative burdens and extensive, unharmonized, duplicative reporting requirements put more pressure on smaller PBMs and risk reversing the PBM trend - creating a more consolidated market.	**Big Pharma Claim:** Reforms that hold PBMs accountable and provide relief to patients would spur more competition and make the market work like it should.
The Facts: Pharmacy benefit companies continue to **meet the demand and evolving environment** to fix the prescription affordability crisis in our country. Take insulin for example, PBMs have introduced innovative programs to **help make insulin even more affordable for more patients.**	**Big Pharma Claim:** PBMs and their affiliates have the requisite concentration and market dominance across the supply chain to reject voluntary reform proposals in the absence of government intervention. In spite of decades of pleas for cost-sharing relief and preferred network access for independent

One pharmacy benefit company and a health plan introduced an initiative to apply manufacturer patient assistance programs in a novel way, which **lowered the monthly out-of-pocket costs for insulin by 40 percent or more**. Under the program, **out-of-pocket costs are $25 for a 30-month supply of insulin** for eligible health plan enrollees. Another PBM announced it could provide access to diabetes drugs, including insulin, at **no out-of-pocket cost to eligible health plan enrollees,** and save on medical expenses for the health plan. And another company announced the **elimination of out-of-pocket costs** in standard fully insured group plans for certain preferred prescription drugs, including insulin, as well as **move eight insulin products to tier one, or “preferred” status on standard formularies.** Another example of this is PBMs also implement various programs **to better support rural communities** and ensure there is access in these less populated areas, including one PBM recently rolled out new programs to **support independent pharmacies in rural areas.** **Free markets allow companies to be agile and meet the market’s call for change**, and pharmacy benefit companies will continue to do their part to meet this demand – without unnecessary government intervention that only stands to divert attention from the root cause of high prescription drug prices, Big Pharma, and increase costs for patients, taxpayers, employers, and families.	pharmacies, for instance, the leading plans and PBMs have resisted all such pressures.