



Employer Perspectives on Rebates: Survey Findings

Rebates are a topic of much discussion in the pharmacy industry. They are an important tool for delivering discounts on prescription drug costs and promoting competition within the drug supply chain. While rebates are sometimes viewed negatively, they aid in improving prescription drug affordability and play a role in many employers' pharmacy benefit strategies. Pharmaceutical Care Management Association (PCMA) commissioned Pharmaceutical Strategies Group (PSG) to survey employers on their rebate arrangements, uses of rebate dollars, and perceptions of rebates. This report provides an overview of the survey's key findings.

Highlights

Rebates aid in improving prescription drug affordability and play a role in many employers' pharmacy benefit strategies.

The majority of employers who responded to the survey have an arrangement to receive 100% of rebates from their PBM.

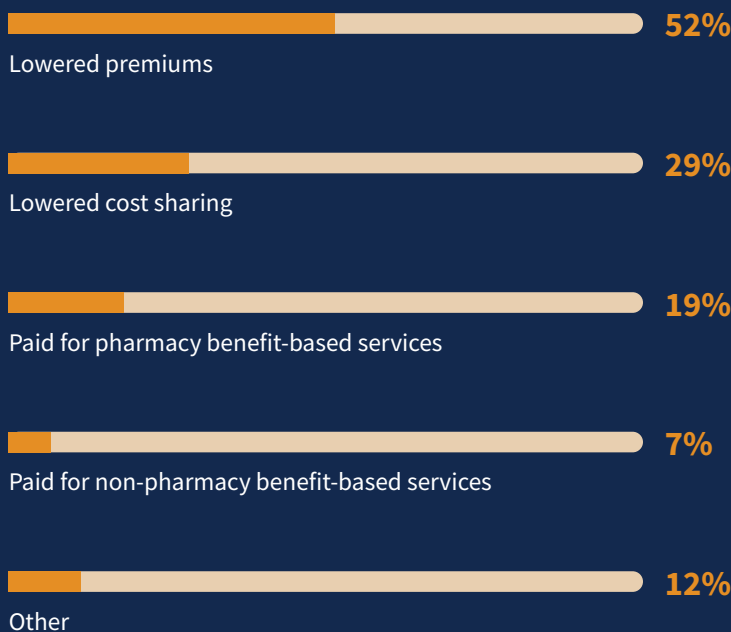
Employers' most common uses of rebate dollars are to lower premiums and cost sharing.

Nearly all employers see having a lowest net cost strategy for drug coverage in their benefit plan as important, and there is variability in the degree to which they perceive rebates as a valuable tool to obtain the lowest net cost for drugs.

Rebate arrangements between payers and pharmacy benefit managers (PBMs) can take several forms. The majority of survey respondents (61%) had an arrangement to receive 100% of rebates, 29% received a percentage share of rebates, and 10% received a flat dollar guaranteed amount. Among those who received a percentage share of rebates, 1 in 4 knew the exact percentage of rebates that were passed back to their plan the previous year. Employers often rely on rebate audits to obtain greater insight regarding whether their PBM complied with the terms, conditions, and rebate guarantees within their contract.

Regardless of the rebate arrangement or exact amount received, employers must decide how to use the rebates passed back from their PBM. As shown in Figure 1, the most common uses of rebates were lowered premiums and lowered cost sharing. The 12% of respondents who selected “other” all described uses that involved helping support the plan itself (versus other business needs or programs). Likewise, in a separate question, just 16% of respondents indicated their health and wellness benefits offering had been influenced by the rebates passed back from their PBM. Together, these results indicate that employers use rebates primarily to reduce costs for members and the plan rather than to fund other services unrelated to prescription drug benefits or to make changes to what they offer.

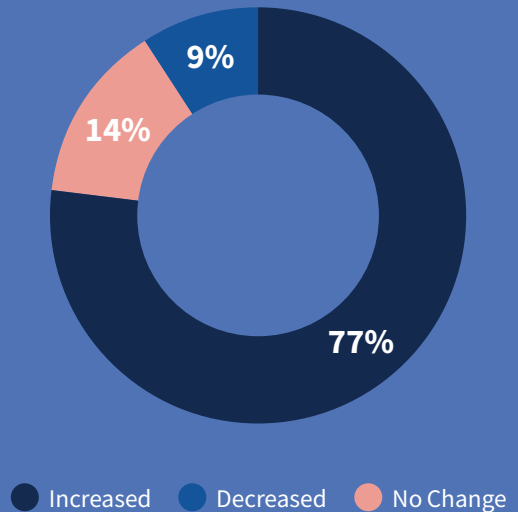
Figure 1 Uses of Rebates Passed Back from PBM (n=58)



Pharmaceutical Strategies Group. Employer Rebates Survey Report. Dallas, TX: PSG.

Figure 2

3-Year Change in Rebates as a Percentage of Total Drug Spend (n=57)



Pharmaceutical Strategies Group. Employer Rebates Survey Report. Dallas, TX: PSG.

The next question is whether changes are occurring with respect to rebates. Among respondents who had knowledge of their organization’s rebate strategy over time, just 5% indicated the way they use rebates had changed in the past 3 years. This highlights the degree to which rebates are embedded in employers’ pharmacy benefit strategies — rebates have been around for a long time and are part of employers’ benefits financing models, so little is likely to change in the absence of major changes to the broader system. We also asked whether rebates had increased or decreased over the past 3 years as a percentage of organizations’ total drug spend. As shown in Figure 2, most respondents said rebates had increased as a percentage of their organization’s total drug spend. However, it is important to understand that drug spend is also increasing.¹ Thus, rebates are an increasing percentage of a number that is also growing steadily.

¹ Source: Pharmaceutical Strategies Group. 2023 Artemetrx State of Specialty Spend and Trend Report. Available from www.psgconsults.com

Finally, a lowest net cost strategy for the pharmacy benefit has become an area of focus for many payers, and we sought to understand employers' perspectives on this approach and how rebates align with it. Nearly all respondents indicated a lowest net cost strategy for drug coverage in their benefit plan was very (67%) or moderately (25%) important. They were more divided in

their perceptions of the value of rebates for this type of strategy. We asked respondents to rate how valuable they believed rebates are as a tool to obtain the lowest net cost for drugs on a scale from 1 (*not at all valuable*) to 5 (*extremely valuable*). Respondents' mean rating was 3.4, and as shown in Figure 3, responses were divided across the scale.

Figure 3 Value of Rebates as Tool to Obtain Lowest Net Cost for Drugs (n=57)

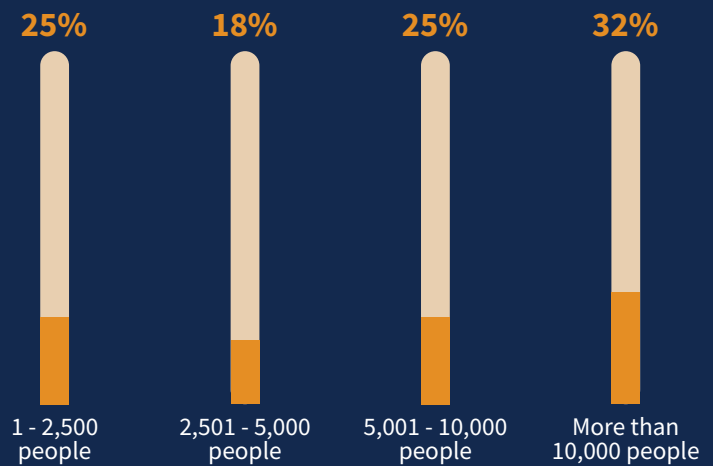


Pharmaceutical Strategies Group. Employer Rebates Survey Report. Dallas, TX: PSG.

Methods and Respondent Profile

Eligible respondents (a) had a self-funded insurance offering and (b) rated their own knowledge of their organization's pharmacy rebate arrangements at least 4 on a 1 (*very low*) to 5 (*very high*) scale. About two-thirds of respondents reported their drug benefit was carved out from their medical benefit, and 78% used one of the Big 3 PBMs (CVS Health, Express Scripts, and OptumRx), aligning with the Big 3 PBMs' overall market share of approximately 80%.² Respondents represented employers of various sizes (see Figure 4).

Figure 4 Number of People Employed by Organization (n=60)



Pharmaceutical Strategies Group. Employer Rebates Survey Report. Dallas, TX: PSG.

² Source: Drug Channels Institute. The 2023 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers. Available from www.drugchannels.net