The Economic Impact of "Delinking"

Recent proposals in Congress recommend prohibiting pharmacy benefit companies (PBMs) from being compensated based on a drug's price or utilization ("delinking"), which would end the pay-for-PBM-performance model that has effectively delivered savings to employers and plan sponsors for years. Throughout the U.S. economy, people and businesses are incentivized to perform well through the opportunity to benefit from the effects of their labor. Delinking would work in a manner contrary to established economic principles known to produce better outcomes. **This drastic change in how PBMs extract discounts would cost employers, taxpayers, and patients exorbitantly—and would provide a massive financial windfall for drug companies that are able to avoid discounting their products, keeping what otherwise would be rebates as profit.**

Paying for Value

- Manufacturer rebates are used to lower drug costs. When a PBM can capitalize on a competitive drug market and negotiate higher rebates, patients and plan sponsors pay less for drugs. The ability to pay more when performance is exceptional encourages better performance. Preventing PBMs from being rewarded for doing a better job runs counter to efforts made to shift the health care system toward paying for value.
- Recent research indicates that "The advantage of pay for performance is one of the most cited conclusions in economics, where it is frequently noted that 'incentives matter.'"[1]
- Delinking would shift incentives away from driving down drug costs—the PBM's stated mission. Congress should be wary of this policy as it "has the potential to significantly (i) increase drug prices, (ii) reduce drug utilization, and (iii) redistribute billions of dollars annually from patients and taxpayers to pharmacy companies and drug manufacturers."[2]
- "Delinking" provisions would not save patients or taxpayers any money. Instead, they would increase profits for pharmaceutical manufacturers, while adding significant costs and administrative burdens.[3]

Part D Impact[4]

- "Delinking" would result in a financial windfall for big drug companies, with up to an additional $10 billion every year for them.
- "Delinking" would cost patients and payers up to $18 billion.
- "Delinking" would lead to taxpayers paying more for Medicare, higher premiums for seniors in Medicare Part D, and reduced PBM competition.

Commercial Market Impact[5]

- "Delinking" in the commercial market would give big drug companies up to an additional $22 billion per year.
- "Delinking" would increase premiums in the commercial market by up to $26.6 billion.
- "Delinking" would also result in increased nondrug health costs and reduced innovation.
- "Delinking" PBM compensation in the commercial market would be even costlier to health plan sponsors and patients than implementing the proposal in Part D.

"Delinking" would result in higher costs, not health care savings.

1 Mulligan. 2023. https://www.nber.org/papers/w31667.
2 Ibid.
3 Ibid.
4 Ibid.
5 Brill. 2023. https://getmga.com/the-economics-of-delinking-pbm-compensation/.

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.pcmanet.org.

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