What Would "Delinking" Do to Employers?

Prohibiting employers from selecting specific pharmacy benefit company (PBM) compensation models amounts to government interference in private contracts. Specifically mandating a prescribed contracting structure is broad government overreach that will disrupt the functionality of the market and produce unintended consequences. Recent proposals in Congress would prohibit employers from choosing to compensate PBMs based on a drug's list price or utilization, barring a pay-for-PBM-performance model that has effectively delivered prescription drug savings to employers and plan sponsors for years. **This drastic change in how PBMs work will cost employers, taxpayers, and patients exorbitantly—and will provide a massive financial windfall for drug companies who will be able to discount their products less and pocket more profits.**

"Delinking" would eliminate plan sponsors' choice in how to compensate PBMs for the clinical and administrative services they provide in managing drug benefits—from negotiating with manufacturers and managing pharmacy networks, to formulary management, clinical counseling, and claims adjudication—greatly adding to the administrative cost of plans offering prescription drug benefits. Further, employers would no longer benefit from a pay-for-performance incentive for PBMs to press drug companies to get the lowest cost for drugs, as "delinking" PBM compensation from the drug company-set price would:

- Significantly increase drug prices, reduce drug utilization, and redistribute billions of dollars annually from health plan sponsors and their enrollees to pharmacies and drug companies.
- Reduce the negotiated rebates and discounts PBMs pass along to employers and health plans to lower drug costs for patients and payers, which could lead plans to raise premiums to finance drug benefits.
- Reduce insurance coverage and appropriate drug utilization as costs for patients rise.[1]

Drug rebates are used to lower drug costs.

- When a PBM can capitalize on a competitive drug market and negotiate higher rebates, that results in lower prescription drug costs for patients and plan sponsors.
- The ability to pay a differential for exceptional performance 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.

"Delinking" would increase costs.[2]

- "Delinking" in the commercial market would give big drug companies up to an additional $22 billion per year.
- "Delinking" in the commercial market would cause an increase in premiums of up to $26.6 billion. This estimate does not include the increased nondrug health costs and the cost of reduced innovation that would likely also occur.

Throughout the U.S. economy, people and businesses are incentivized to perform well through the opportunity to benefit from the effects of their efforts. "Delinking" would work in a manner contrary to established economic principles known to produce better outcomes.

1 Mulligan. 2023. https://www.nber.org/papers/w31667.

2 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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