Commercial Delinking Would Cause Premiums to Soar in the States

Prohibiting employers and health plan sponsors from choosing how they compensate pharmacy benefit companies (PBMs) based on the savings they provide (also termed "delinking") will encourage drug manufacturers to raise their prices. One tool used by PBMs to reduce drug prices is the pay-for-performance model, which has effectively worked in numerous industries and helps PBMs deliver prescription drug savings to patients and plan sponsors year after year. Banning any compensation model would be a significant cost to employers, taxpayers, and patients.

Effects of Commercial Delinking on the Prescription Drug Market

Delinking in the commercial market would eliminate plan sponsors'—such as employers, labor unions, health insurers, and state governments—choice in how to compensate PBMs for the clinical and administrative services they provide in managing drug benefits. PBMs perform critical services for plan sponsors including negotiating with manufacturers and managing pharmacy networks, to formulary management, clinical counseling, and claims adjudication. Removing plan sponsors' choice would greatly add to the administrative cost of plans offering prescription drug benefits.

Delinking PBMs' compensation in the commercial market would eliminate the pay-for-performance incentive for PBMs to negotiate with drug companies to get the lowest cost for drugs, resulting in:

- A significant increase in drug costs.
- Up to $21.9 billion annually is redistributed from health plan sponsors and their patients as a financial windfall for drug companies.[1]
- An estimated $26.6 billion annual increase in patient health insurance premiums due to reduced negotiated rebates and discounts that PBMs pass along to employers and health plans.[2]
- Reduced employer-sponsored insurance coverage and appropriate drug utilization as costs for patients rise.[3]

Effects of Commercial Delinking in the States

Delinking in the commercial market, which excludes Medicare and Medicaid, would cause an increase in health insurance 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. A state that implements this type of legislation could increase health insurance premiums by around $150 per commercially insured patient in that state.

Methodology

Each state's premium impact is calculated using the portion of the state's commercial covered lives from the total U.S. population. This estimate is an average across the population and is not reflective of specific market dynamics in any given state. The commercial market population includes the fully insured, the self-insured, and the individual direct purchase health insurance markets in 2022 from Kaiser Family Foundation "Health Insurance Coverage of the Total Population."[4]

One-Year Premium Cost Impact of Delinking Legislation

State	Patients in Commercial Plans	Estimated Total Premium Increase Due to Delinking
Alabama	2,567,600	$383,000,000
Alaska	359,000	$53,550,000
Arizona	3,685,800	$549,790,000
Arkansas	1,375,600	$205,190,000
California	20,592,800	$3,071,700,000
Colorado	3,387,400	$505,280,000
Connecticut	2,024,500	$301,990,000
Delaware	552,000	$82,340,000
District of Columbia	404,300	$60,310,000
Florida	11,110,400	$1,657,270,000
Georgia	5,838,100	$870,840,000
Hawaii	751,100	$112,040,000
Idaho	1,034,500	$154,310,000
Illinois	7,162,800	$1,068,430,000
Indiana	3,777,600	$563,490,000
Iowa	1,819,500	$271,410,000
Kansas	1,704,300	$254,220,000
Kentucky	2,167,400	$323,300,000
Louisiana	2,022,000	$301,610,000
Maine	716,500	$106,880,000
Maryland	3,563,900	$531,610,000
Massachusetts	4,048,500	$603,890,000
Michigan	5,441,800	$811,720,000
Minnesota	3,424,500	$510,820,000
Mississippi	1,380,200	$205,880,000
Missouri	3,453,700	$515,170,000
Montana	559,400	$83,450,000
Nebraska	1,172,500	$174,900,000
Nevada	1,623,000	$242,100,000
New Hampshire	847,500	$126,420,000
New Jersey	5,475,300	$816,720,000
New Mexico	827,500	$123,440,000
New York	10,113,000	$1,508,500,000
North Carolina	5,573,900	$831,430,000
North Dakota	478,900	$71,440,000
Ohio	6,401,100	$954,820,000
Oklahoma	1,899,700	$283,370,000
Oregon	2,232,900	$333,070,000
Pennsylvania	7,020,500	$1,047,210,000
Rhode Island	606,100	$90,410,000
South Carolina	2,650,400	$395,350,000
South Dakota	518,600	$77,360,000
Tennessee	3,763,200	$561,340,000
Texas	15,818,300	$2,359,520,000
Utah	2,319,500	$345,990,000
Vermont	335,300	$50,020,000
Virginia	4,811,600	$717,720,000
Washington	4,377,700	$653,000,000
West Virginia	791,100	$118,010,000
Wisconsin	3,418,800	$509,970,000
Wyoming	326,100	$48,650,000

1 Matrix Global Advisors. "The Economics of "Delinking" PBM Compensation." 2023.
2 Ibid.
3 NBER. "Ending Pay for PBM Performance: Consequences for Prescription Drug Prices, Utilization, and Government Spending." 2023.
4 KFF. "Health Insurance Coverage of the Total Population." 2022.

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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