



Pulling Back the Curtain on PBM's

April 28, 2022



The Agenda

- 1) Are there different types of PBM Models
- 2) What are the traditional PBM revenue streams
- 3) Mail Order Pharmacy
- 4) Rx Management
- 5) Compliance
- 6) What does it mean to be transparent



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Executive Vice President & Co-Founder

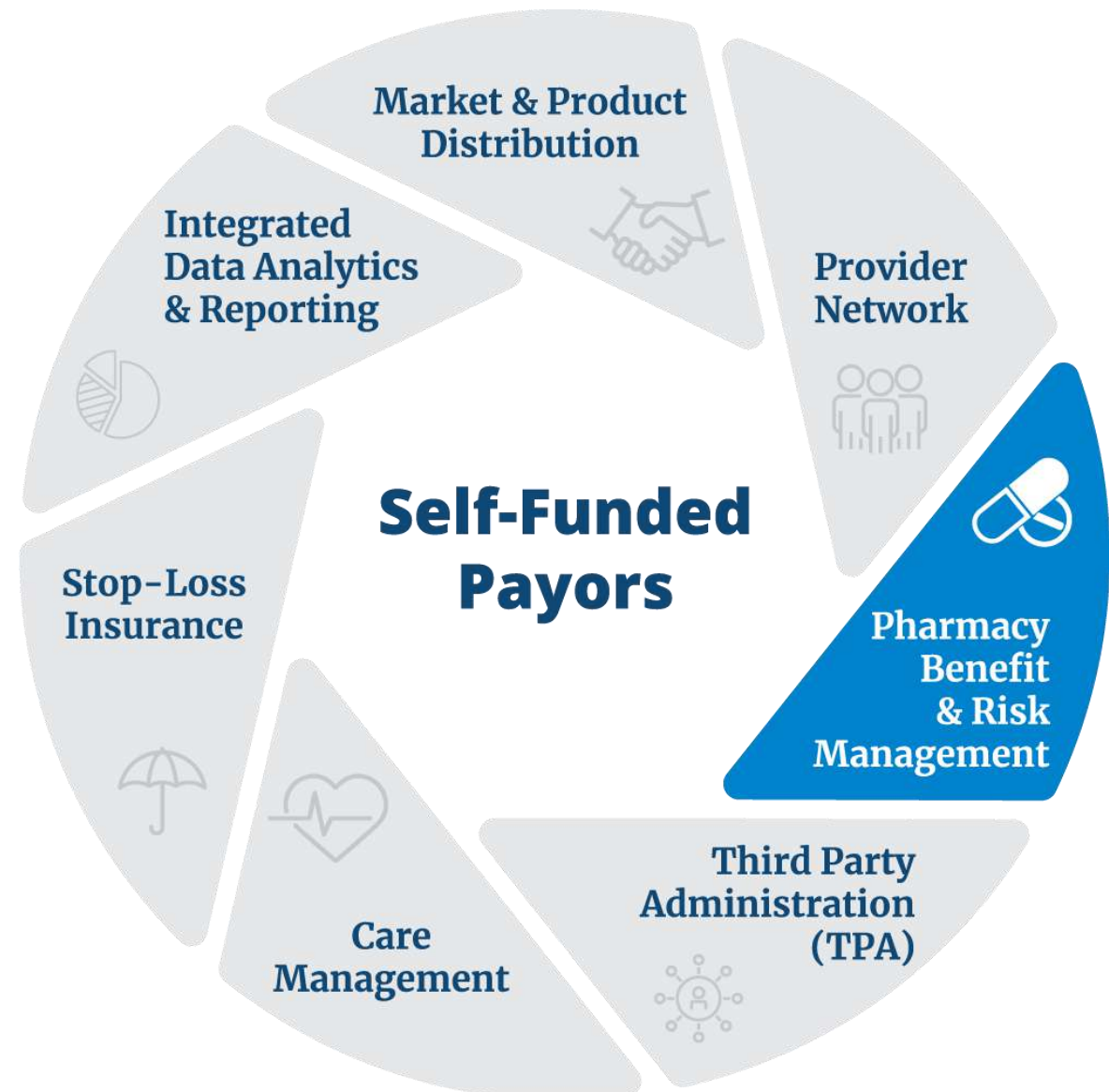
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What Is A Pharmacy Benefit Manager?

A PBM is not ‘just’ a middleman.

An intermediary between two parties who “charges a fee or a commission” for its services.

PBMs are “not equal” in how their fee or commission is collected.



PBMs are “fairly” equal in the basic services they provide.

- ✓ Adjudicates Claims
- ✓ Checks Eligibility
- ✓ Manages Pharmacy Networks
- ✓ Establishes Formularies
- ✓ Consolidates Billing
- ✓ Pays Pharmacy Claims
- ✓ Reporting
- ✓ Customer Service
- ✓ Clinical Programs

The Problem With Prescription Drugs

Drug Channel and Managed Care Companies on the 2019 *Fortune* 500 List

Company (stock symbol)	Primary Role(s) in U.S. Drug Channels ¹	2019 <i>Fortune</i> 500 Rank	Revenues (\$B)	Revenues, % vs. 2017	Revenue per Employee (\$M)	Profit as % of Revenues	Profit as % of Assets	Annualized Return to Investors (2008-2018)	Total Return to Investors (2018)	Employees (000s)
UnitedHealth Group (UHS)	Insurer/PBM	6	\$226.2	+12.5%	\$0.8	5.3%	7.9%	+26.7%	+14.5%	300.0
McKesson (MCK)	Wholesaler	7	\$208.4	+4.9%	\$3.1	0.0%	0.1%	+12.0%	-28.4%	68.0
CVS Health ² (CVS)	Pharmacy/PBM	8	\$194.6	+5.3%	\$0.7	-0.3%	-0.3%	+10.4%	-7.0%	295.0
AmerisourceBergen (ABC)	Wholesaler	10	\$167.9	+9.7%	\$8.2	1.0%	4.4%	+17.0%	-17.6%	20.5
Cardinal Health (CAH)	Wholesaler	16	\$136.8	+5.3%	\$2.7	0.2%	0.6%	-8.4%	-24.8%	50.2
Walgreens Boots Alliance (WBA)	Pharmacy	17	\$131.5	+11.3%	\$0.4	3.8%	7.4%	+13.0%	-3.7%	299.0
Humana (HUM)	Insurer/PBM	56	\$56.9	+5.8%	\$1.7	3.0%	6.6%	+23.5%	+16.2%	41.6
Cigna ³ (CI)	Insurer/PBM	65	\$48.7	+16.9%	\$0.7	5.4%	1.7%	-6.5%	+27.5%	73.8
Rite Aid (RAD)	Pharmacy/PBM	107	\$30.2	-8.0%	\$0.6	3.1%	10.5%	+8.6%	-64.0%	48.4
Magellan Health (MGLN)	Insurer/PBM	417	\$7.3	+25.3%	\$0.3	0.3%	0.8%	+3.8%	-41.1%	10.5
Average: Drug Channels		28	\$144.9	+4.8%	\$2.6	1.3%	3.8%	+8.8%	-24.3%	130
Average: Managed Care		136	\$84.8	+15.1%	\$0.9	3.5%	4.3%	+11.9%	+4.3%	106

Source: Drug Channels Institute analysis of 2019 *Fortune* 500 list. Drug Channels figures include: AmerisourceBergen, Cardinal Health, CVS Health, McKesson, Rite Aid, and Walgreens Boots Alliance. Managed Care companies include: Cigna, Humana, Magellan Health, and UnitedHealth Group.

1. Note that many companies also perform other roles beyond those listed.

2. CVS Health completed its acquisition of Aetna on November 28, 2018. Therefore, its financial results for 2018 reflect primarily the legacy CVS Health business.

3. Cigna completed its acquisition of Express Scripts on December 20, 2018. Therefore, its financial results for 2018 reflect primarily the legacy Cigna business.

Published on Drug Channels (<http://www.DrugChannels.net>) on June 5, 2019.

***“Drug channel companies are MUCH
bigger than manufacturers.”***

Adam Fein, PhD

“Current PBM models lack transparency and are overly complicated.”

*National Pharmaceutical Council. (2017)
Toward Better Value [Ebook]

All PBMs are Not Created Equal

Transparent & Pass-Through are not the same

Traditional PBM	Transparent Hybrid PBM	Fully Transparent Pass-Through PBM
<ul style="list-style-type: none">• No Disclosure of Revenue Streams• No Limit to Revenue Streams• Spread Pricing	<ul style="list-style-type: none">• Limited Disclosure of Revenue Streams• Varying Limit to Revenue Streams• Partial Pass-Through of Rebates and Pharmacy Pricing to Client	<ul style="list-style-type: none">• Full Disclosure of Revenue Streams• Strict Limit to Revenue Streams (Admin Fee Only)• 100% Pass-Through of Rebates and Pharmacy Pricing to Client

Traditional

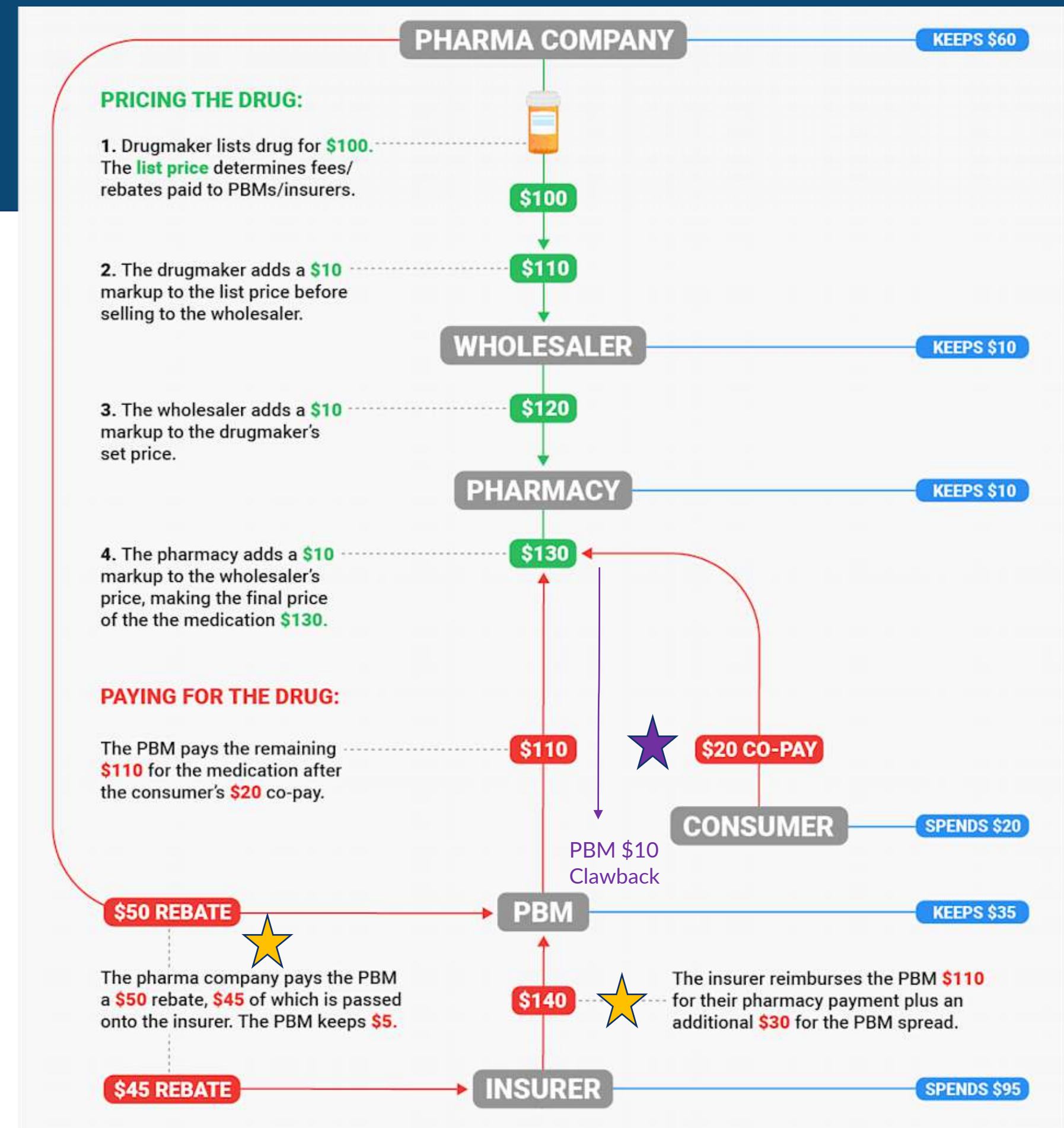
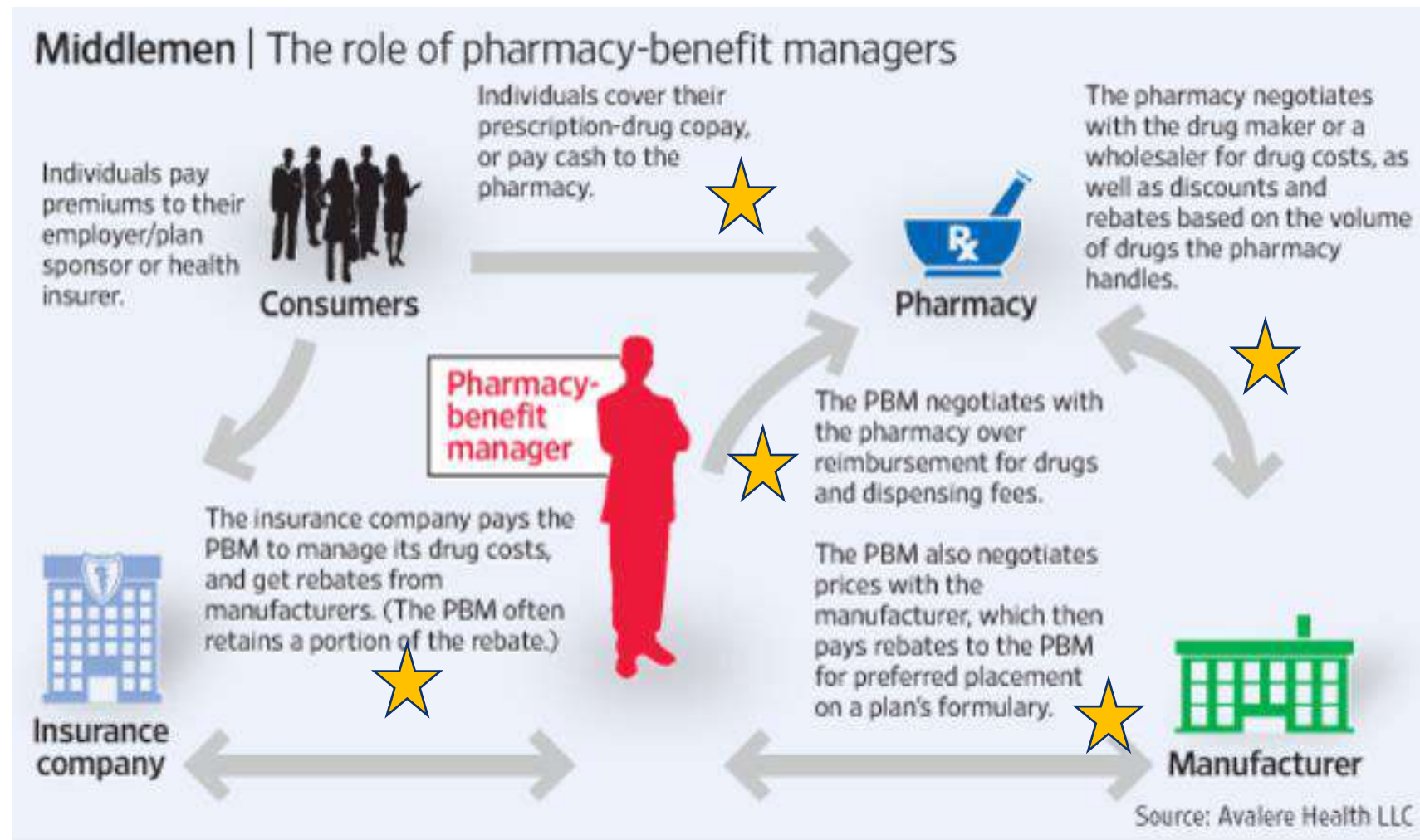
PBM retains a network spread, rebates, and other revenues streams as compensation.

Pass-Through

PBM charges client the exact amount it pays pharmacies. PBM is compensated with an agreed upon fee for service.

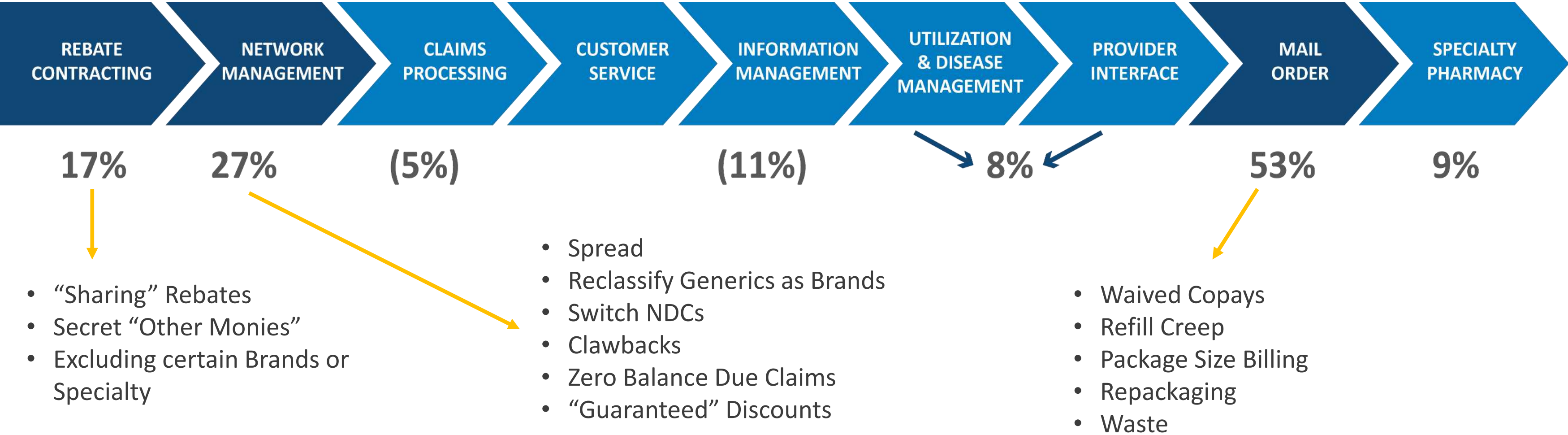
Middlemen Economics

- ★ *PBMs have leveraged complexity and*
- ★ *lack of transparency to exploit revenue streams.*



How PBMs Make Money

TRADITIONAL MODEL

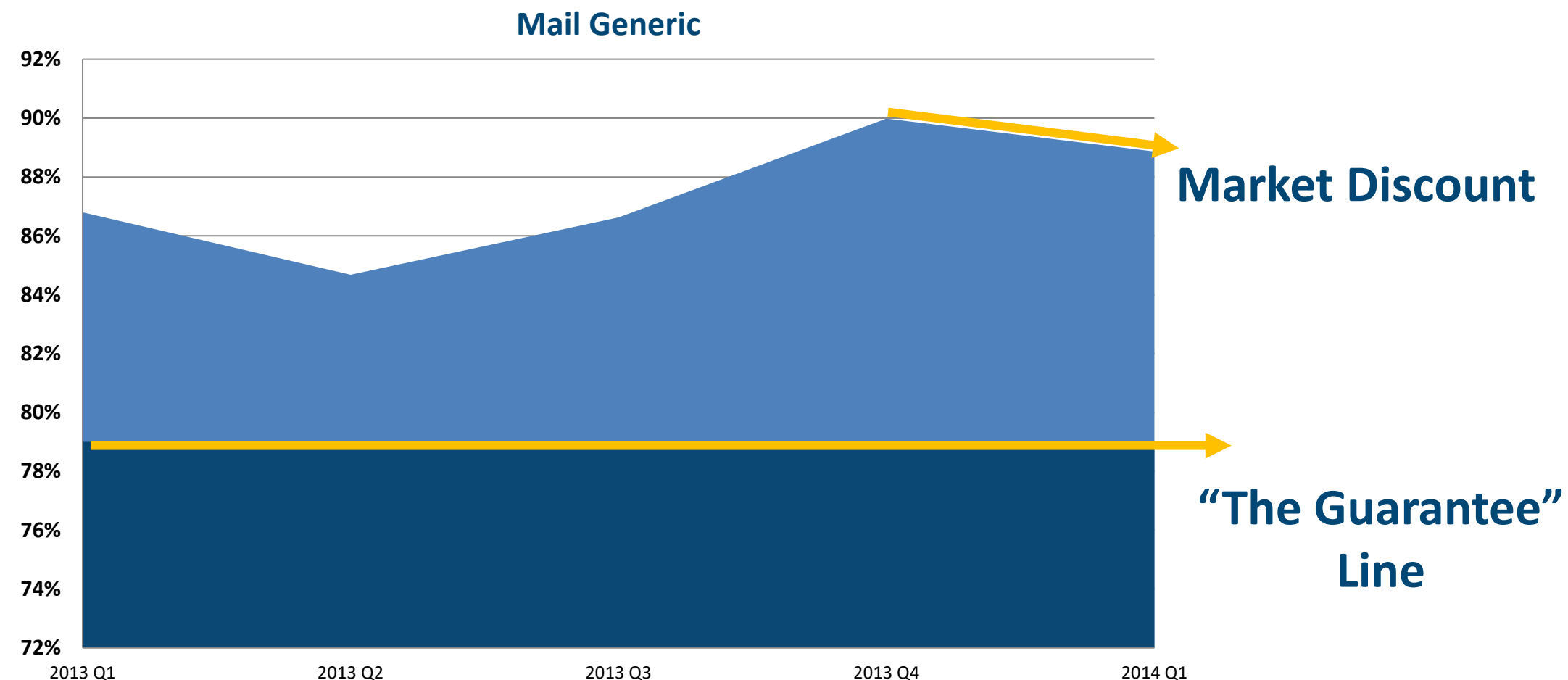


PASS-THROUGH MODEL



100%

“The Guarantee” Discount



“The Guarantee” sets a limit on discounts and in no way reflects the true Market Discount or Price.

Giving up “The Guarantee” gets you the higher discount.

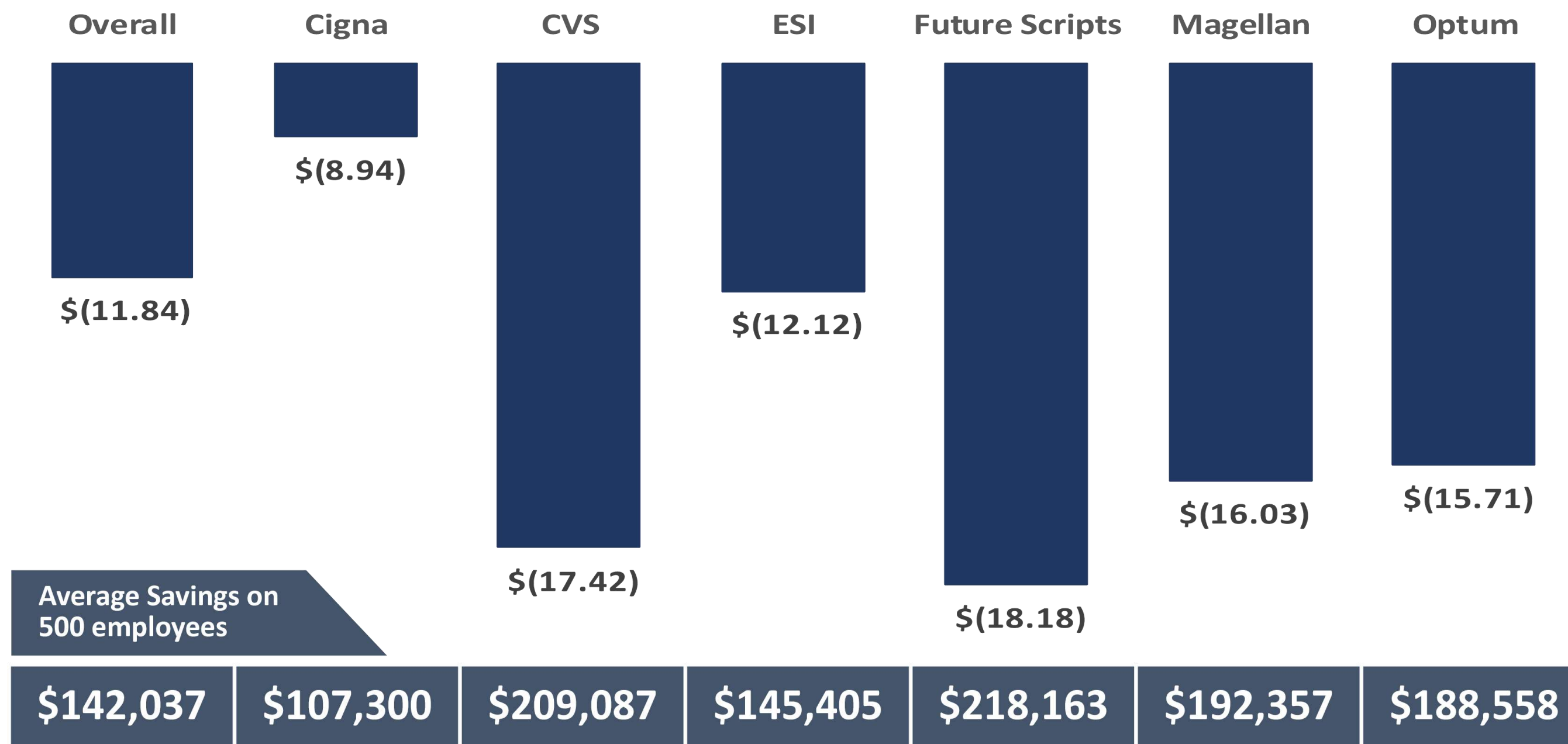
**“Guaranteed”
Discounts gives a PBM
“Guaranteed” Revenue**

Pass-Through Pricing



PHARMACISTS UNITED FOR
TRUTH AND TRANSPARENCY

Savings With Pass-Through Pricing



**Average
Savings Per
Script
\$11.84**

Based On SS Internal Historical Re-Pricing Evaluations Performed From 2015-2016. All Savings Are Normalized on a 500 Employee and 2 Claim PEPM Basis.

1. PBMs do not include all-brand National Drug Code (NDC) for rebate aggregation, resulting in the PBM retaining the NDC rebate rather than the client.
2. PBMs do not pay on Over the Counter (OTC) rebates, although they collect and retain the rebates.
3. PBMs do not pay on insulin rebates, although they collect and retain the rebates.
4. PBMs collect and retain rebates on non-formulary drugs.
5. PBMs do not pay on all diabetes supplies, although they collect and retain stated cost.
6. Differentiating Pre & Post Average Wholesale Price (AWP):
 - PBMs pay pharmacies Post-AWP pricing
 - PBMs charge clients Pre-AWP pricing, resulting in retainment of Spread
7. PBMs may charge an administrative fee on reversed claims.
8. PBMs adjust the number of drugs available for the guaranteed per prescription rebate by changing the denominator of drugs rebated.
9. PBMs only provide a portion of a point of sale rebates.
10. PBMs utilize multiple Maximum Allowable Cost (MAC) lists:
 - One MAC list for the client
 - Another MAC list for the pharmacy
11. Direct and Indirect Remuneration (DIR) Fees, also known as a Clawbacks, are revenues collected from the pharmacy 90-days after a paid claim. DIR Fees are 100% retained by the PBM.
12. PBMs collect DIR Fees for not performing Medication Therapy Management (MTM) to the PBMs satisfaction.
13. PBMs are responsible for manipulation of the Most Favored Nation (MFN) pricing.
14. PBMs do not confirm that all pricing will be based on the AWP on the actual date the drug is dispensed, for the actual package size dispensed, and for the actual quantity dispensed.

32 Ways PBMs Make Money

Full List available at
[DiscoverTransparency.com](https://www.discovertransparency.com)

15. PBMs do not pass-through Usual and Customary (U&C) claims.
16. PBMs take spread on compound claims.
17. PBMs charge the client a professional administration fee for a vaccination, but do not pay the pharmacy the professional administration fee.
18. PBMs may create spread on repackaged NDCs.
19. PBMs negotiate a lower rebate but request a lower acquisition cost for the drug at the in-house pharmacy of the PBM.
20. PBMs negotiate a higher rebate by allowing slimmer early refill rules that increase the chance for an additional fill per year.
21. PBMs dispense 90-day supplies but charge the client for a 100-day supply.
22. PBMs waive copays to steer towards mail order pharmacy.
23. PBMs reclassify generic drugs as a brand drugs, resulting in the PBM paying the pharmacy the generic cost and charging the client the brand cost.
24. PBMs switch the NDC, resulting in the PBM paying the pharmacy the lower cost NDC and charging the client the more expensive NDC.
25. Zero Balance Due: Force shift 100% of patient pay into the contractual guaranteed agreement.
26. PBMs affect the overall effective generic discount by manipulating the following:
 27. Reversed/Rejected Claims
 28. Compound Claims
 29. 340B claims
 30. OTC claims NOT covered as part of the plan benefit
 31. Devices
 32. Vaccines

PBM Revenue Levers

“It’s tough to describe my ideal PBM because of the [confusing] way pharma prices medications and then the way PBMs price medications to employers. One ideal model would be to see the PBM receive an admin fee to deliver a service. That is the only money they would make. PBMs would truly be a middleman that helps procure drugs.” - Director of Benefits, Towards Better Value

Key Revenue Buckets



PBM Profit Levers

Traditional Model

Generic Discounts



Brand Discounts



Rebates



Admin Fees



Mail Order



Specialty

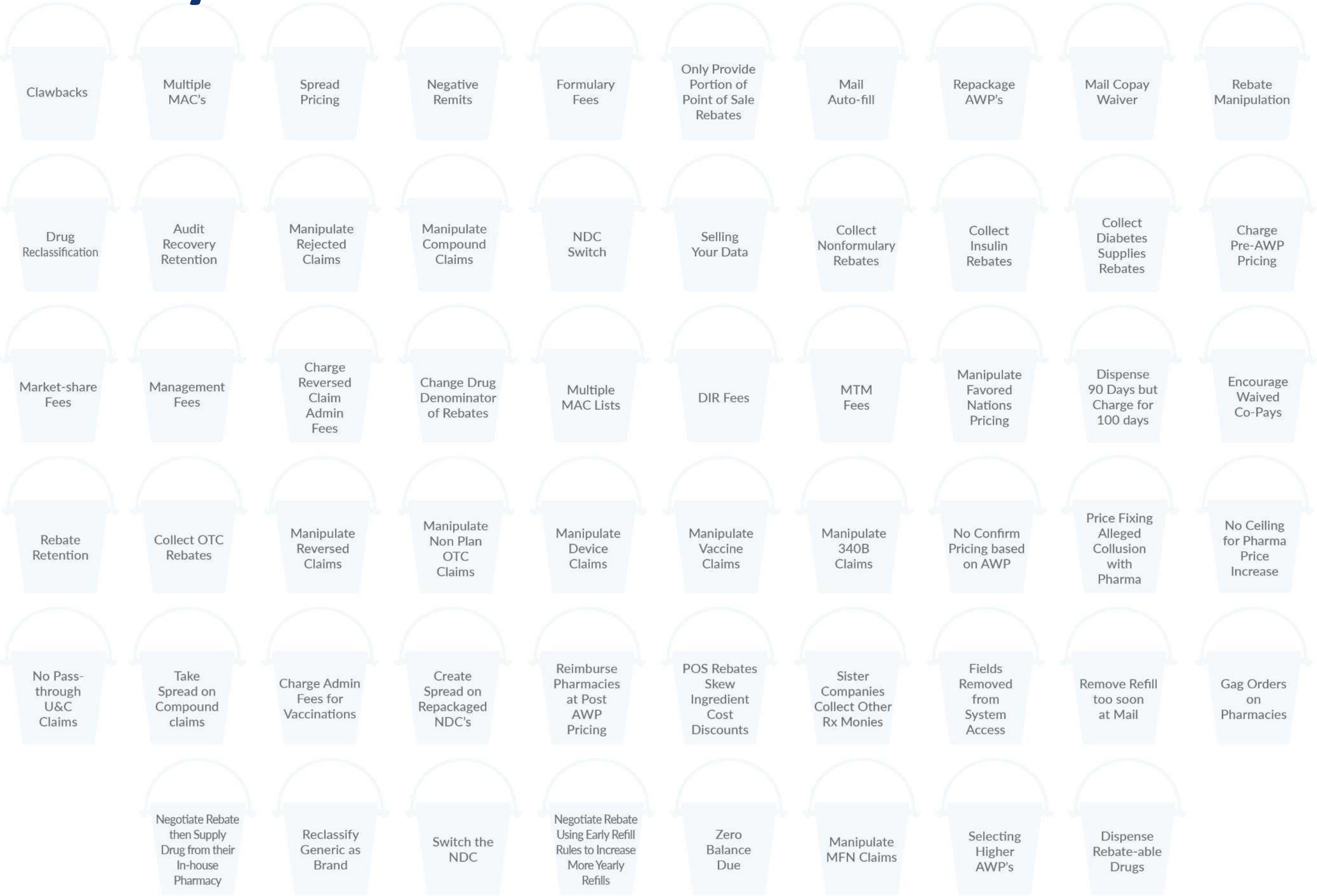


Pass-Through Model

Admin Fees



The Sky Is The Limit



Traditional PBMs
Experience Unlimited
Revenue



Southern Scripts
Sole Source of
Revenue is the
**Administrative Fee
ONLY**

Mail Order Profiteering

STEERING



Steering of patients to mail order through waived co-pays. Client ends up paying the “waived” copay.

REFILL CREEP



Mail order pharmacies will auto-refill when the member has only used 70% of the current supply. Medication is sent early creating 1 or 2 extra fills per calendar year.

PACKAGE SIZE



PBM mail order pharmacies will bill for a package size of 100 even though only a lower quantity is actually dispensed.

REPACKAGE



PBM mail order pharmacies will buy a bulk quantity of a drug and repackage it into smaller quantities (such as 100) and assign a higher price point (AWP).



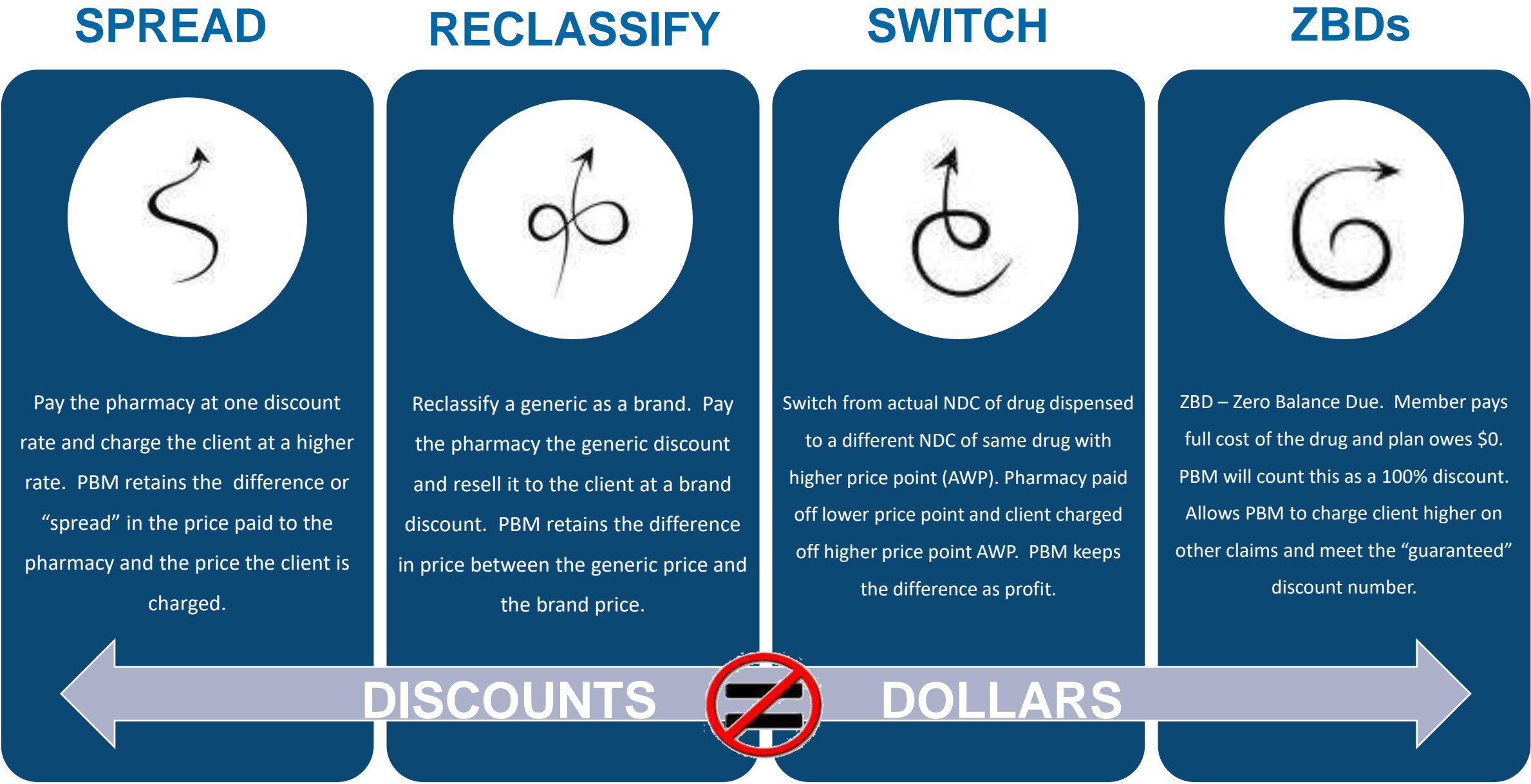
**Biggest PBM profit center – the “crown jewel” of the PBM.
Acting as Administrator & Seller.**

Mail Order Waste



*These are actual images sent by participating pharmacies in the Dispose My Meds Program. Patient information has been removed or obscured to comply with all applicable laws protecting personal health information.

Discount Profiteering



Manipulation inflates “discounts” to increase PBM profits which increase costs.



Examples of How Non-Transparent Pricing Works

★ Spread

Pay pharmacy one price then charge Employer higher price.

PBM Pays Pharmacy
\$ 200 (AWP)
\$ (36) discount 18%
\$ 164 PBM pays pharmacy

PBM Bills Employers
\$ 200 (AWP)
\$ (30) discount 15%
\$ 170 PBM bills employer

PBM Revenue = \$ 6

★ NDC Switch

Pay pharmacy on actual NDC dispensed; charge Employer a different NDC with a higher AWP price.

PBM Pays Pharmacy
\$ 5,558 (AWP)
\$ (3,891) discount 70%
\$ 1,667 PBM pays pharmacy

NDC 00904662104 AWP per Tab = \$185.26

PBM Bills Employers
\$ 10,932 (AWP)
\$ (7,652) discount 70%
\$ 3,280 PBM bills employer

NDC 00054024913 AWP per Tab = \$364.41

PBM Revenue = \$ 1,613

★ Reclassify

Pay pharmacy as a generic then charge Employer as a brand.

PBM Pays Pharmacy
\$ 100 (AWP)
\$ (70) GENERIC discount 70%
\$ 30 PBM pays pharmacy

PBM Bills Employers
\$ 100 (AWP)
\$ (15) BRAND discount 15%
\$ 85 PBM bills employer

PBM Revenue = \$55

Transparent Price

Pharmacy Network

Multiple options in building pharmacy networks to drive utilization towards best available pricing.

- Retail 30
- Retail 90
- Mail Order
- First Choice Preferred
- Closed Network
- Narrow Network
- Custom Network
- Specialty Network
- Compounding Network
- Vaccine Network
- Adherence Network
- IV Infusion Network

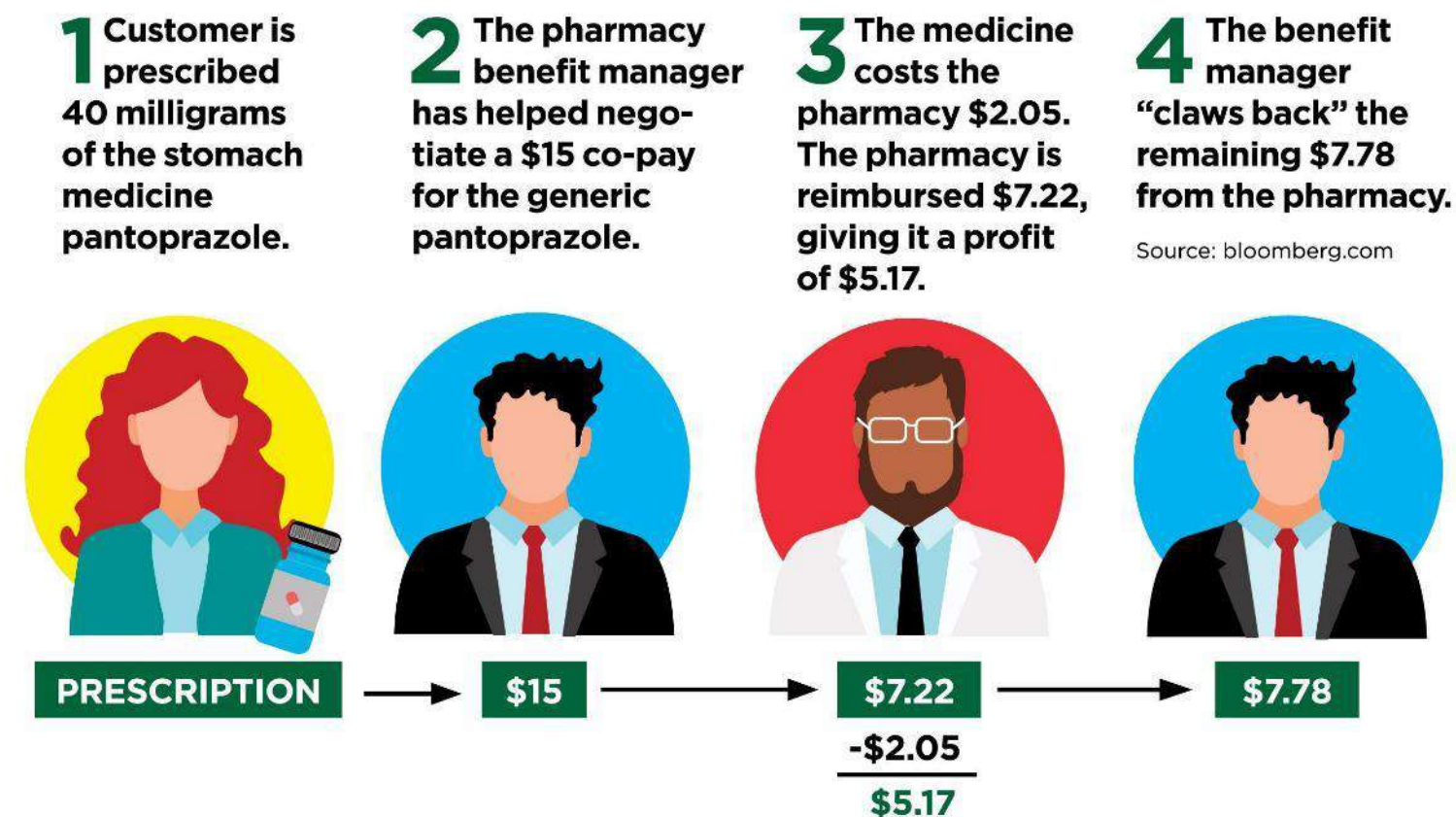
Clients should have the ability develop or access customized pharmacy networks.

Examples of How Non-Transparent Pricing Works

★ Clawbacks

When the cost of a drug is lower than the patient copay, the pharmacy must sell the drug at the contracted rate and a PBM will clawback the excess copay.

HOW CLAWBACKS WORK



➤ Same pricing scheme used for discount cards or PBM “cash” claims.

➤ Creates a loophole for PBM’s to appear to offer a pass-through BUT not-transparent price scheme.



“Your prescription is \$30, but there’s a \$75 co-pay.”

PBM Revenue = \$45



Rx Management

Pharmacist Driven | Lowest Net Cost Strategy | Client Controlled

- Prior Authorizations
- Quantity Limits / Utilization Management
- Step Therapy
- Me-Too Drugs
- Non-Essential Exclusions
- Medication Adherence – Pill Pak
- Opioid Management
- Preferred Product Optimization
- Administrative Edits
- Preventive Drugs
- Real-Time Drug Utilization Edits (Drug-Age, Drug-Gender, Over/Under Dosing, etc...)

Rx Management (cont'd)

Pharmacist Driven | Lowest Net Cost Strategy | Client Controlled

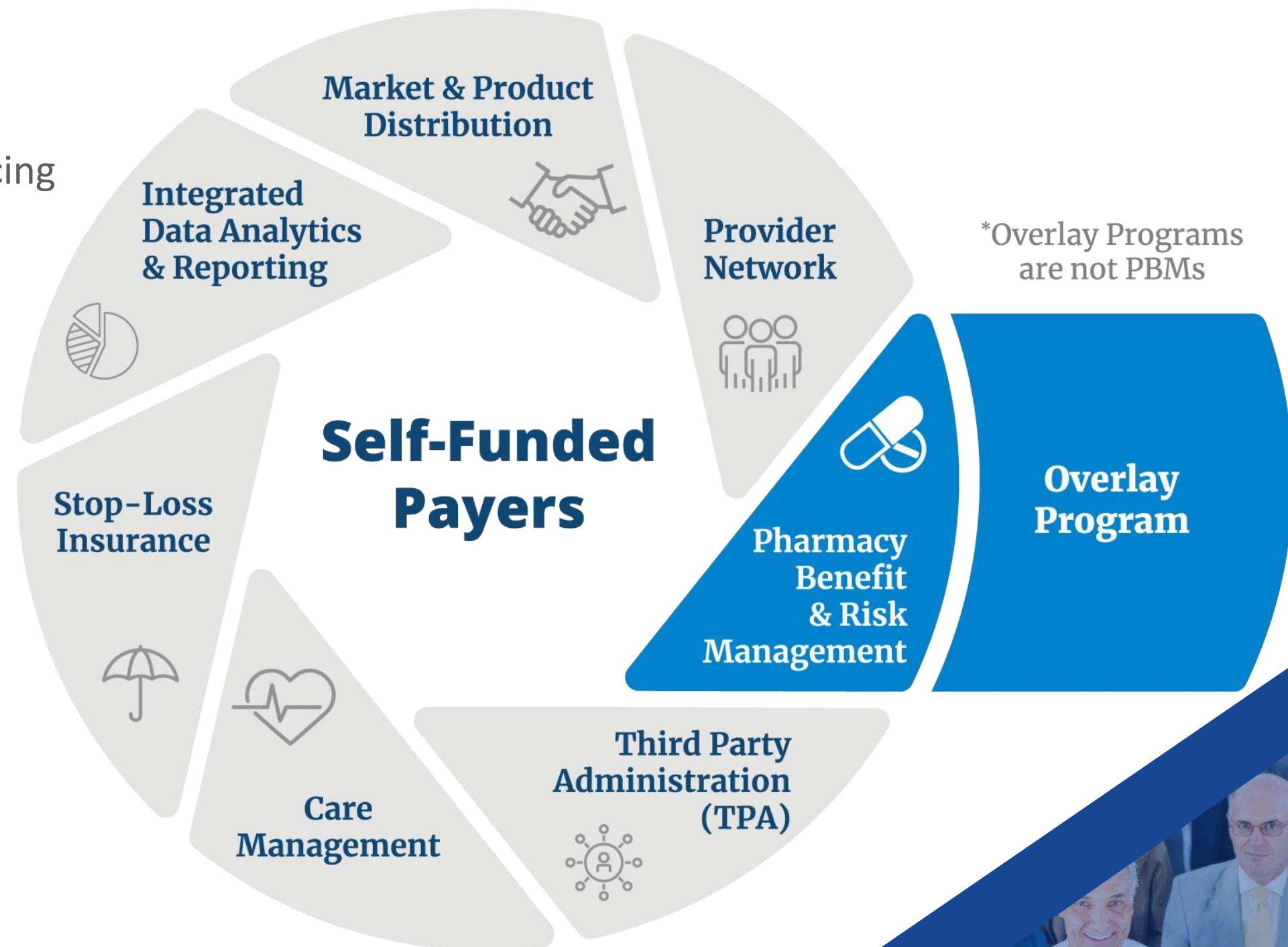
Override Savings Analysis

	Drug	Qty	DS	Plan Paid	Plan Pd	Message
					Difference	
Original Claim	Ciprodex 0.3-0.1% - Susp	8	14	\$195.89	\$165.59	Please try PDL
Paid Claim	>>Neomycin-Polymyxin-HC 1% - Soln	10	14	\$30.30		Alternative First
Original Claim	MoviPrep 100 GM - SOLR	1	1	\$88.90	\$74.63	Please try Generic
Paid Claim	>> GaviLynte-C 240 GM - SOLF	4000	1	\$14.27		Alternative First
Original Claim	Vesicare 5MG - TABS	30	30	\$228.26	\$198.69	Generic Alternative
Paid Claim	>>Oxybutynin Chloride 5 MG - TABS	60	30	\$29.57		Preferred
Original Claim	Fenofibric Acid 135MG CPDR	30	30	\$91.34	\$49.84	Fenofibrate
Paid Claim	>> Fenofibrate Micronized 134 MG - CAPS	30	30	\$41.50		134MG Preferred
Original Claim	Metformin HCl ER (OSM) 1000MG - TB24	60	30	\$740.12	\$729.66	Generic Metformin
Paid Claim	>>Metformin HCl ER 500mg - TB24	120	30	\$10.46		ER Preferred
Original Claim	Clobetasol Propionate 0.05% - OINT	60	30	\$248.35	\$115.92	Quantity Limit of
Paid Claim	>>Clobetasol Propionate 0.05% - OINT	30	15	\$132.43		30 Per Fill
Original Claim	Qnasl 80 MCG/ACT - AERS	9	30	\$117.74	\$68.72	Generic Alternative
Paid Claim	>>Flunisolide 25 MCG/ACT - SOLN	25	30	\$49.02		Preferred

What is an Overlay Program (OLP)?

Not All Overlay Programs Are Created Equal

- ✓ Alternate sources of traditional pharmacy sourcing
- ✓ Ancillary services to PBM
- ✓ International Mail
- ✓ Patient Assistance Program
- ✓ Manufacturer Coupons
- ✓ National Foundations
- ✓ Church Donation Funds



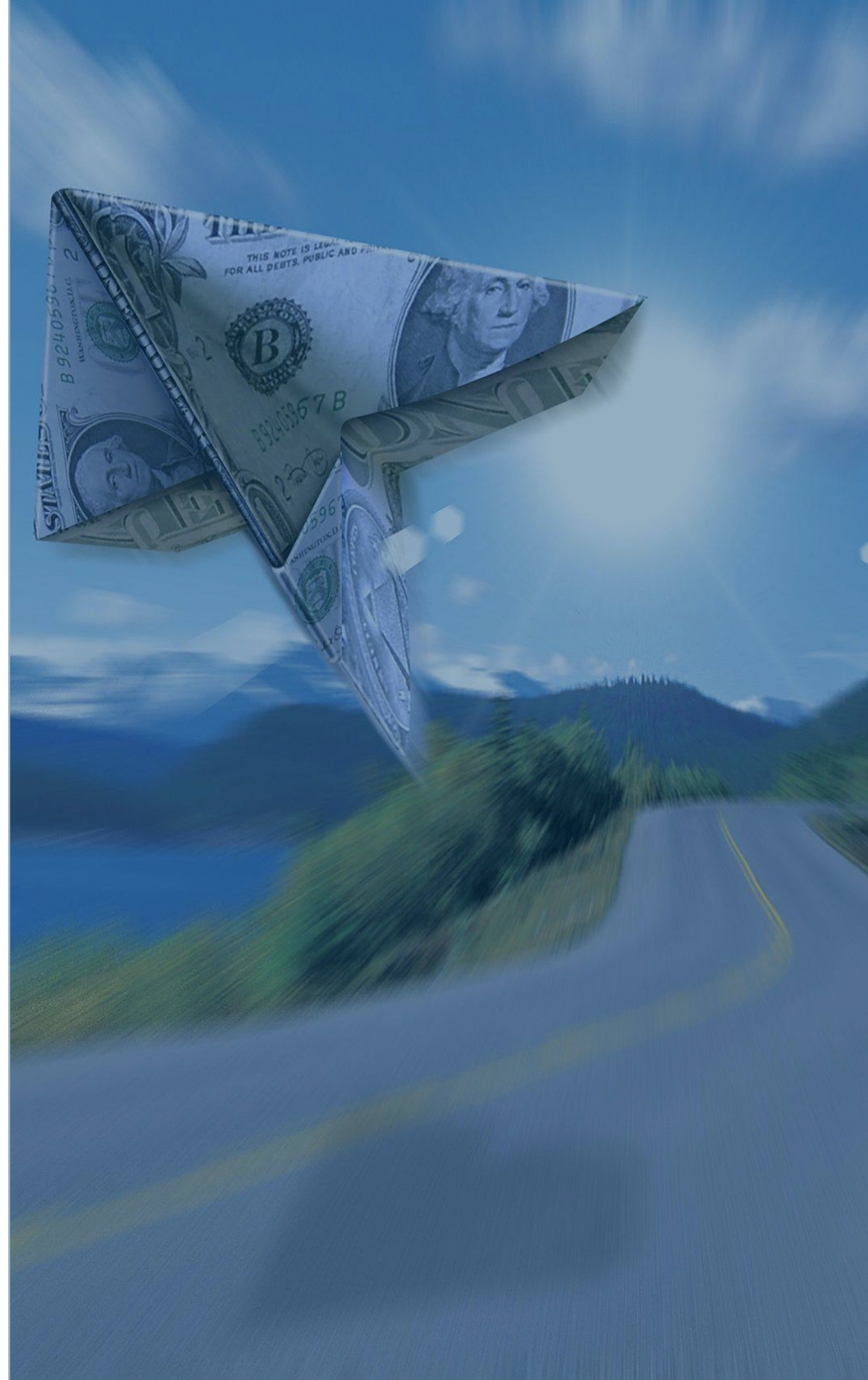


Powered by  southernscripts

Road-Map to Significant Savings

RxCompass is your road-map to significant savings through our unique, best-in-class specialty and high-cost maintenance drug management program. Our comprehensive pharmacy benefit program guides your members through various drug savings pathways and clinical support processes to maximize savings.

We are uniquely positioned to leverage vertically integrated prior authorization and claims data to identify high-cost medications and save you money.





ONE Contract
ONE Care Navigation Team
ONE Member Experience





**Do Your Clients have high-cost drug claims?
Wouldn't it be nice to know the best price?**

RxCompass Pathways

- Variable Copay™
- TeleSaverRx
- INTL Mail Specialty
- INTL Mail Brand
- Patient Assistance Programs

RxCompass pathway
discounts range
between
28%-75%

Ready to see it?
www.myrxcompass.com/pricing

A person with dark hair in a ponytail, wearing a grey sweatshirt and black leggings, is sitting on a rocky ledge. They are looking out over a vast landscape that includes a winding road, a valley, and distant mountains. The entire image has a blue color overlay.

Compass Programs

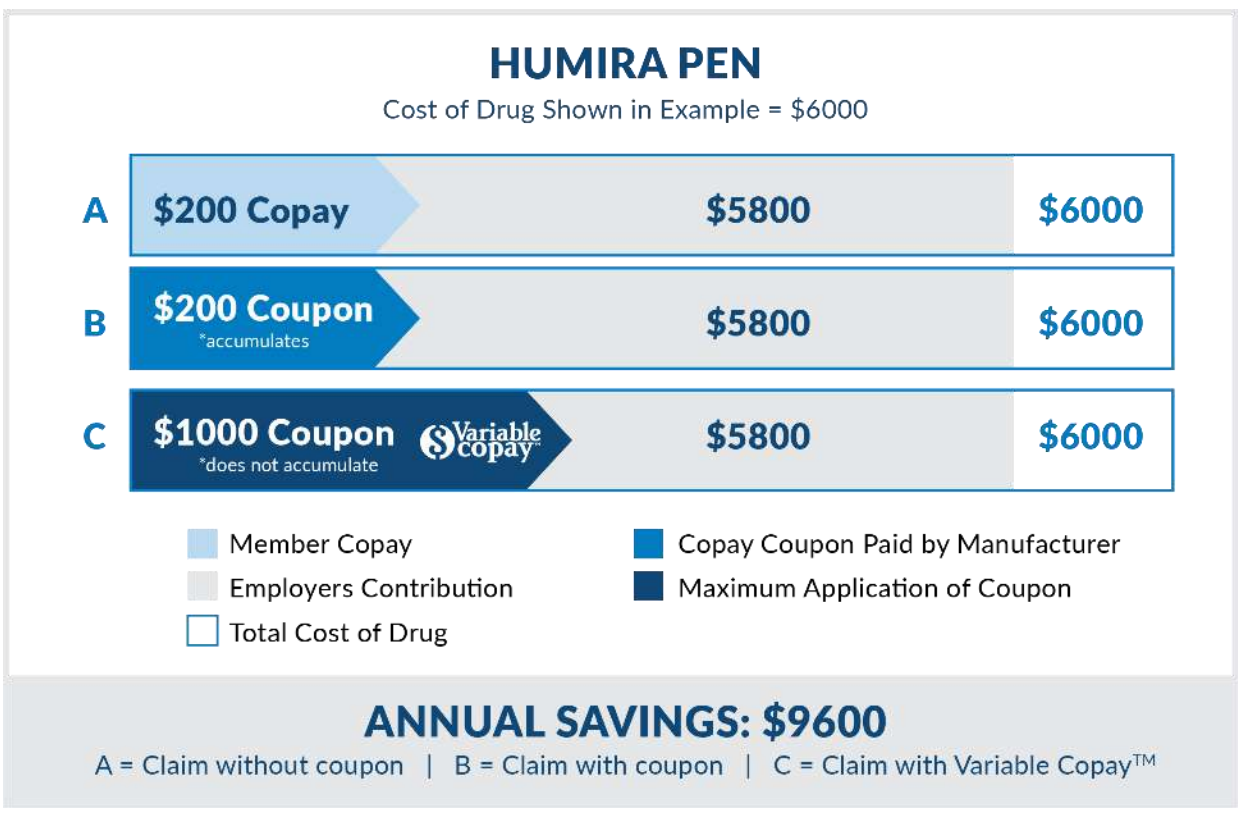
Variable Copay

Combating The Largest Driver Of Pharmacy Costs

- ✓ Industry's first program designed to help self-insured group health plans significantly reduce the rising cost of eligible brand and specialty medications
- ✓ Monetizes manufacturer coupons on behalf of employer clients and its members
- ✓ Members' out-of-pocket costs for prescription drugs may be reduced or eliminated by a drug manufacturer's coupon. The remaining drug coupon dollars are used to offset the costs to the employer.
- ✓ Savings on specialty and high-cost brand drugs are up to AWP-35%.



To maximize the coupon value, member copay obligations are set to the maximum subsidy available for prescription fills and refills through the manufacturer's coupon program.





A Value-Added Component To Your Prescription Benefit Plan

TeleSaverRx is a plug-and-play, chronic care support program with a guaranteed 20% savings to the employer health plan on all affected pharmaceuticals, in addition to any existing rebates or discounts. The TeleSaverRx Program can achieve pricing discounts up to AWP-47%.

Integration of Established HRSA Guidelines

- Employee EHR Established at Covered Entity (CE)
- Qualified Telehealth Visit with CE-Based Provider
- Medical Records Request and Care Coordination Form Executed
Between CE and Treating Specialist



Site Of Care

Specialty Drug Cost Avoidance



How does Site of Care work?

We identify members on the most expensive drugs, in the highest cost settings and transition them to a lower cost infusion site of care.

Program Details

- Identify members at point of authorization
- Issue short term authorization
- Offer a full-service concierge level engagement with a member centric approach
- Conduct member and prescriber engagement and facilitate transition to the lowest cost site of care (home, ambulatory infusion center, shipping drug into the hospital infusion center)

**Average
Savings:
\$80k**

Overall average savings per member was \$80k per patient per year; 7500 patients resulted in \$600M cost avoidance.



**Soliris
Savings:
\$500k**

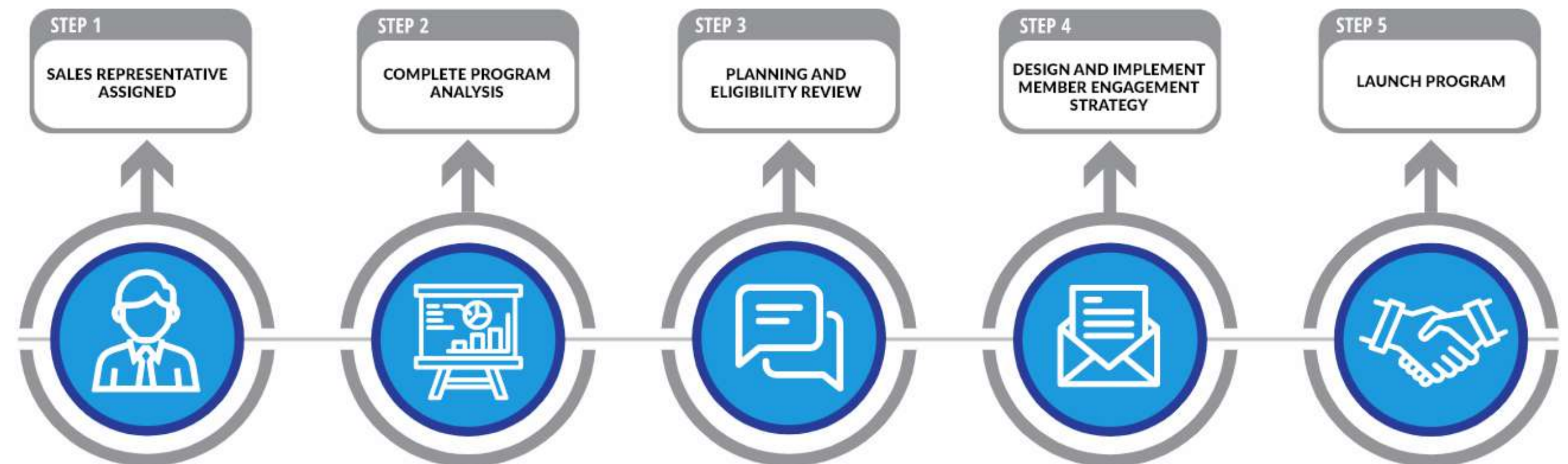
Based on actual industry client claims for 75+ Soliris patients, average annual savings generated was \$500k per patient per year.

International Prescription Service

The simple and safe way to get your prescription medications.

There's no need to wait in line at a pharmacy. Medications are sent directly to the member in the manufacturer's original sealed packaging.

Plans and patients alike will save on high-cost brand medications through our integration with the leading provider of brand medications.



Medical Tourism

Medical Tourism provides solutions that reduce total treatment costs to employers, patients, and plans on many high-cost maintenance medications.

Plans and patients can choose to save up to 50% through economic access to high-quality specialty medications.

Members benefit from lower out-of-pocket costs, as well as access to valuable information about the healthcare provider and respective offered procedures. For certain high-cost outpatient surgical procedures, the selection of a Value Care provider may allow the healthcare plan administrator to waive all or part of a beneficiary's plan deductible.

Employers benefit from significantly lower overall healthcare costs. For many high-cost outpatient surgical procedures, these savings can amount to tens of thousands of dollars per procedure. Further benefits to plan sponsors include calculated out-of-pocket cost for insured pre-procedures, ease of access and simplified seamless claims processing.



Alternative Funding/Patient Assistance Programs

A background image showing two hikers on a rocky mountain peak. One hiker is standing on the ridge, and the other is reaching up towards them. A bright light source, possibly the sun, is positioned between them, creating a lens flare effect. The sky is a clear blue.

Recent industry studies have disclosed specialty drug costs have accounted for as much as 40% of total drug costs, which can equate to a fifth of pharmacy costs for the entire year.

Alternative Funding/Patient Assistance Programs (AF/PAP) offer assistance to employers and employees to maximize prescription fulfillment through non-traditional channels. AF/PAP procures targeted medications for members through alternate access points – *many times at \$0 cost to the member.*

Stop Loss

Major stop-loss insurer recognizes Southern Scripts' transparent, cost-saving pharmacy benefit management mode.

One of the nation's leading stop-loss insurance providers serving employers who self-fund their health plans favorably rated Southern Scripts for its honest, transparent model and overall pharmacy benefit management (PBM) structure.

Stop-loss insurance provides self-funded healthcare plan sponsors with an additional layer of protection against high-cost claims over a predetermined threshold, determined by the sponsor's liquidity, risk appetite and preferences.



ERISA Compliant

Medical Expense Reimbursement Plans

A Medical Expense Reimbursement Plan (MERP) provides increased protection as it relates to ACA and ERISA compliance as well as provides more:

- ✓ *Consistency in claims processing*
- ✓ *Better employee experience*
- ✓ *Speeds up the processing time*
- ✓ *More protection for plan fiduciaries*





Third Party Administrator

Working with your TPA to make RxCompass successful

- Coordinate receipt of medical jcode file for Site of Care administration
- Coordination for MERP administration

Benefits

- Turn-key drug savings solutions
- ONE Integrated drug savings model with the PBM
- Savings generated for both pharmacy and medical high-cost drug utilization
- Heightened member engagement, by the PBM
- ONE source for quotes

Toward Better Value

Employer Perspectives Study

There is a disconnect between the important role employers believe their pharmacy benefit managers (PBMs) play in helping to manage prescription drug benefits and employers' perceptions of the overall value they are getting from their PBMs.

- **Improving transparency:** Employers surveyed said that current pharmacy benefit management models lack transparency. Only 30% said they understand the details of their PBM contracts; 40% of respondents said they fully understand their PBMs' performance guarantees; and 63% said PBMs are not transparent about how they make money.
- **Reducing contract complexity:** Among the study findings, 58% of employers think contracts are overly complicated, are ambiguously worded, and often benefit the PBM at the expense of the employer. Utilizing clearer definitions and simplifying the contracts were among employers' recommendations for improvement.
- **Getting value for patient populations:** Employers want to understand the rationale behind PBMs' formulary and exclusionary list decisions, such as the clinical, financial and economic impacts; 50% of employers surveyed think PBMs lack transparency about the basis for those decisions.

In an environment in which transparency and complexity are such common challenges, it's not easy for employers to get good value for money spent on prescription drug benefits for their employees.

Transparency in both Drug Pricing and PBM Pricing

Defined as readily available information on the price of pharmaceutical drugs to either authorities or consumers.

Why important?

- Market failure when the price is not known by decision makers (physicians, patients, plans)
- Buyers should have transparency to accurate price information (near real-time) including net price
- Price transparency helps define the value of drugs and empowers the ability to make a more informed prescription decisions
- Access to price transparency tools by patients and prescribers results in lower out-of-pocket spending

Why so difficult?

- Non-transparent revenue models favor higher-priced brands over lower-priced generics
- Price, discounts, and rebates are hidden making it impossible to determine net prices
- Net prices may differ greatly among different plans (differential pricing and cost-shifting between payors)
- Transparency is often a casualty of PBMs claiming pricing as proprietary and confidential.
- Transparency requires full and complete access to data at the claim and NDC level including rebates
- Transparency requires access to the PBMs contracts with pharmacies, manufacturers, and other third parties
- Transparent models should not have loopholes
- Transparency should involve disclosing any mis-aligned incentives which threatens business revenues

Push for Transparency

Policymakers are introducing drug pricing transparency bills.

- Transparency in Coverage – health insurers publish list prices and historical net prices for prescription drugs
- October 2018 Patient Right to Know Drug Prices Act
- State Laws:

Tennessee HB 1398: This law was passed June 2, 2021 and requires PBMs or covered entity health plans, which includes self-insured ERISA plans, to not interfere with a patient's right to choose a contracted pharmacy or a contracted provider of choice. Inducing, steering, or offering financial or other incentives are prohibited.

Bill Text: TN HB1398 | 2021-2022 | 112th General Assembly | Chaptered | LegiScan

West Virginia HB 2263: The Governor in West Virginia recently signed HB 2263 into law. This bill contains equalization rules, an anti-mandatory mail order provision, an any willing pharmacy provision, sets the reimbursement floor at NADAC + \$10.49 dispensing fee, and has a point of sale rebate component. This bill marks West Virginia as the first state in the country to require rebates to be passed on to patients, and it applies to ERISA plans.

HB 2263 Text (wvlegislature.gov)

Iowa HF 2384: This bill recently passed the Iowa House and is pending Senate action. The bill seeks to aid independent and rural pharmacies. In its current form, this bill aims to regulate large employer ERISA plans, which have not historically been subject to similar legislation in Iowa. This bill contains an any willing provider provision, anti-mandatory mail order provision, and prohibits PBMs from imposing different cost-sharing fees based on the pharmacy used to fill a prescription.

HF2384.pdf (iowa.gov)

Michigan HB 4348: This bill was signed into law in February 2022 and will become effective January 1, 2024. It requires PBMs to file transparency reports to provide information to consumers about the backend cost and profits of medications. It also prohibits PBMs from requiring pharmacists to sign "gag clauses" and prohibits spread pricing. Michigan Legislature - House Bill 4348 (2021)

Towards Better Value

Most important objectives: Employers identified what they believed to be the most and second-most important objectives for making improvements to the prevailing PBM business model. The top three answers were aligned with the issues at the root of employer concerns with their current prescription management approach: transparency, complexity and rebates.

Figure 8: Respondents’ thoughts on moving toward better value in prescription drug benefits

Most important objectives	Highest-priority ideas	Perceived most likely future scenarios
1. Improve transparency around pricing, rebates and discounts	1. Replace rebates with discounts	1. Transparent future: Receive all rebates and pay PBM for transaction processing and administrative services
2. Simplify contracts and provide clear definitions to remove ambiguity	2. Efficacy-based reimbursement (drug price varies with effectiveness)	2. Evolve the traditional PBM: Work with current PBM on incremental improvements that will help control costs and improve value over time
3. Provide full disclosure of the rationale behind formulary and exclusion list decisions (clinical, financial and economic impacts)	3. Value-based insurance design (high-value drugs cost patients less than low-value drugs)	3. Direct contract: Move decision-making and negotiations in-house and engage a third-party administrator to manage pharmacy transactions



The next-generation PBM model I would like to see is a simpler model with claim adjudication. There would be no rebates. Just drugs that are priced appropriately.

— Former Managing Director, Health Strategy and Resources



It’s tough to describe my ideal PBM because of the [confusing] way pharma prices medications and then the way PBMs price medications to employers. One ideal model would be to see the PBM receive an admin fee to deliver a service. That is the only money they would make. PBMs would truly be a middleman that helps procure drugs.

— Director of Benefits

