

**FACTS AND MYTHS ABOUT PBM TRANSPARENCY**  
**PBM Transparency Helps Lower Drug Costs for Consumers and Health Plans**  
**October 5, 2009**

Language included in both the Senate Finance Committee *and* the House Energy and Commerce health care reform bills require “transparency” for any PBM that contracts with a health plan in the health insurance exchange. The Senate language also extends this requirement to Medicare Part D plans. “Transparency” is a market-based approach that helps to assure competition in the delivery of prescription drug benefits and can lower costs for plans and consumers. **CBO has indicated to House staff that the language has no cost!**

• **Transparency Saves Money for Consumers and Plans**

Transparency helps the market work better. It allows plan sponsors and payers, including large corporations and governments, to confirm that a PBM is in fact providing the service it was hired to do: to secure low drug costs. Without transparency, a plan sponsor has no way to verify that their PBM is sharing manufacturer rebates or that the PBM is negotiating the lowest possible costs for specific drugs.

- TRICARE anticipates savings of \$1.67 billion by negotiating its own drug prices and rebates for its 9 million beneficiaries rather than going through a PBM.
- Texas estimates savings of \$265 million by switching to a transparent PBM contract.
- The University of Michigan has saved nearly \$55 million by administering its own plan for the past six years.
- The State of New Jersey projects savings of \$558.9 million over six years from a new transparent PBM contract it just signed with Medco for its 600,000 covered employees, dependents and retirees.

• **PBMs Conveniently Mischaracterize the Transparency Language**

When you don’t have the facts to stand on (or only old, outdated self-funded studies), it’s easy to mischaracterize what this language really does. It does NOT require PBMs to disclose proprietary pricing information or manufacturer rebate information. And, any information disclosed ONLY goes to the plan sponsor, not the public. Plans that pay for prescription drug benefits for their employees should not be stonewalled in getting some basic information from their PBM.

• **Medicare Part D requires PBMs transparency – and that should that be the case for all PBMs supported in whole or part by Federal funds!**

PBMs say that disclosure hurts their ability to negotiate and would increase drug prices. But they also say that PBMs are helping to keep Medicare Part D drug costs low, even though they disclose EVEN MORE information to CMS than would be required under the PBM transparency language. So, which is it PBMs? CMS requires Part D plan PBMs to disclose for each and every calendar the quarter specific drug by drug information on the rebates, discounts and price concessions they are receiving from manufacturers. This is kept confidential.

- **Part D transparency saving money for Medicare beneficiaries**

Beginning in 2010, PBMs will not be able to pocket the difference between the amount the plan pays the PBM to pay the pharmacy, and the actual (and usually lower amount) they pay the pharmacy. CMS is adopting “pass through” pricing – which more and more plan sponsors are requiring of their PBMs. This will help reduce the amount of cost sharing that Medicare beneficiaries pay and will reduce Part D costs because beneficiaries will burn through the donut hole slower! The language would require that PBMs disclose in the aggregate whether they are pocketing any of this difference.

- **The only PBM cost savings studies that the PBMs can cite are – you guessed it – PBM-funded studies!**

PBM-cited “savings” studies have been done with the PBM’s own data. And guess what – they find savings! What about a real, unbiased peer-reviewed study of PBM savings? How many exist? PBMs cite a 2003 GAO report that says that PBMs save the FEHBP program money. The GAO tried to dig into the PBMs books to look at whether PBMs actually did save money. But - they wouldn't let GAO do the work they needed to do – so the GAO had to rely on the PBMs own self reported unaudited data!

But this past June 2009, the Inspector General for the Office of Personnel Management said the following about the PBMs that administer the FEHBP prescription drug program: “There’s a good chance we are not getting a good deal because the lack of transparency”.