



Spread Pricing Primer

By Michael F. Conlan

Mark Riley, RPh, gave some extremely important congressional testimony this summer illustrating just how PBMs keep excessive profits from patients and payers. If it is widely read and understood on Capitol Hill and in corporate boardrooms, the current PBM business model will have to change. Pharmacies may not directly benefit, but the health care system will, and some of that PBM arrogance may vanish.

Riley is NCPA secretary-treasurer, executive vice president of the Arkansas Pharmacists Association, and owner of the East End Pharmacy in a small town just outside of Little Rock. He's also worked as a pharmacy consultant within the PBM industry and has seen it change "from a claims processing industry to an industry veiled in secrets that often deceives its own clients for the sake of corporate profits."

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The heart of darkness for the PBMs is spread pricing, and Riley gave some telling examples including ones from his home state.

"The Arkansas Pharmacists Association had an opportunity to review 103 claims for a small self-insured business in central Arkansas," he said. "This company was paying a per claim administrative fee to the PBM for the PBM's 'services.' What we found was shocking. After comparing the employer's PBM invoice with the pharmacy's payments, we found that the employer was being charged, on average, \$45.50 per generic prescription. The pharmacies were only paid, on average, \$22.95 per generic prescription..."

"The most egregious example from this employer," he continued, "was the drug Simvastatin, a medication

commonly used to lower cholesterol. The pharmacy was paid \$14.40 for this drug, while the PBM charged the small, self-insured employer \$126.72. That's an 880 percent overcharging of the employer.

"And remember, no added benefit was provided to the health care system in this example, just corporate profits run rampant at the expense of our health care system. And perhaps the single most disgusting aspect of this business practice is that the PBM leads the small, self-insured employer to believe that the local pharmacy was actually paid the full \$126.72."

NCPA proposes four reforms to end such practices. Each would require that a group health plan could not enter into a contract with any PBM unless the PBM satisfied the following requirements:

- The group health plan provides to the patient an explanation of benefits statement.
- The PBM uses equal payment bases and disclosure of reimbursement amounts for mail order and retail in order to avoid unfair steering to mail order.
- The PBM cannot engage in spread pricing.
- The PBM must identify and pass along in the form of lower copays or premiums any cost savings it negotiates with a manufacturer.

Many more reforms also are needed to rein in PBMs, but these are a good step forward. **ap**

Michael F. Conlan is editor of America's Pharmacist.