

## The Need for Model Language Regarding PBM “Maximum Allowable Cost” (MAC) Reimbursement

### Critical Background—What is MAC?

A “Maximum allowable cost” or “MAC” list generally refers to a payer or PBM-generated list of products that includes the upper limit or maximum amount that a plan will pay for generic drugs and brand name drugs that have generic versions available (multi-source brands). Essentially, no two MAC lists are alike and each PBM picks and chooses products for their MAC lists, using different criteria to derive and apply prices to the list. Some of the factors that PBMs consider to choose products for inclusion on a list are availability of the product in the marketplace, whether the product is obtainable from more than one manufacturer, how the product is rated by the FDA in relation to the innovator drug and price differences between the brand and generic products. ***However, there is no standardization in the industry as to the criteria for the inclusion of drugs on MAC lists or for the methodology as to how the maximum price is determined, changed or updated.***

### PBM Use of MAC as Revenue Stream

Because of this lack of clarity, many PBMs use their MAC lists to generate significant revenue for the PBM. Typically, they utilize an aggressively low MAC price list to reimburse their contracted pharmacies and a different, higher list of prices when they sell to their clients or plan sponsors. Essentially, the PBMs reimburse low and charge high with their MAC price lists, pocketing the significant spread between the two prices. ***Most plan sponsors are unaware even that multiple MAC lists are being used and have no real concept of how much revenue the PBM retains.***

Most PBMs try to incentivize the use of their own in-house mail order pharmacies and do not apply MAC pricing to mail order drugs. Instead these PBMs offer a discount off Average Wholesale Price (AWP) - another industry pricing standard - for mail order generic drugs at a rate agreed upon by the PBM and plan sponsor. In this way, the PBM is motivated to utilize the product with the highest AWP relative to the actual drug acquisition cost for their in-house mail order operations, not the product with the lowest net cost. ***Thus, plan sponsors could pay significantly more for generic drugs via the PBM-owned mail order pharmacy than through a community retail pharmacy.***

Neither plan sponsors nor contracted retail network pharmacies have any transparency into the MAC process. ***Retail pharmacies are not informed how products are added or removed from a MAC list or the methodology that determines how reimbursement is calculated.***

### NCPA model MAC language is designed to address the above concerns and:

- *Provide clarity to plan sponsors and pharmacies w/regard to how MAC pricing is determined and updated and establish an appeals process in which a dispensing provider can contest a listed MAC price;*
- *Provide standardization for how products are selected for inclusion on a MAC list;*
- *Compel PBM disclosures to plan sponsors about the use of multiple MAC lists and whether or not MAC pricing is utilized for mail order products*

