

Fact Sheet

Pharmacy Benefit Managers

Pharmacy Benefit Managers (PBMs) contract with employers to coordinate payments for prescription medications as part of a health care benefit package for employees.

When they pay for prescriptions, employees present a “pharmacy benefit card” to their pharmacist and make a relatively small out-of-pocket co-payment.

PBMs enter into contracts with two groups -- employers and pharmacies.

The drug-pricing terms of these contracts may be different, so the amount a PBM bills an employer may not equal the amount the PBM pays the pharmacy for the drug ingredient portion of a prescription. This practice is legal. There is a perception that PBMs negotiate lower prices for the employers. Some may; others don't.

Employers and pharmacies are unaware of financial arrangements the PBM makes with each.

PBMs do NOT

- buy drugs (pharmacy does that)
- dispense drugs (pharmacy does that)
- collect premiums from employer and then pay for prescriptions.

PBMs DO bill employers for each and every prescription their employees have filled.

Creighton University researchers Robert Garis, R.P., M.B.A., Ph.D., and Bart Clark, R.P., Ph.D., wanted to find out whether discounts were passed on to employers. In a pilot study, they examined PBM bills to employers and PBM payments to pharmacies for the same prescriptions.

Three of the most striking examples follow. Dollar amounts are approximate:

Drug name	Amount PBM billed the EMPLOYER	Amount PBM paid the PHARMACY
Fluoxetine (generic Prozac)	\$200	\$30
Ranitidine (generic Zantac)	\$200	\$15
Propoxyphene- Napsylate/APAP (generic Darvocet-N- 100)	\$100	\$40

Based on the pilot study results, the researchers intend to extend the project into a major research effort. Results can be used to educate employers and help them become better informed purchasers of benefit packages.

The researchers note that there are PBMs that lower employee prescription costs to employers. By raising awareness about the practices of some PBMs, the researchers hope to enhance accountability in areas of the PBM industry.