



## Colorado PBM Rebate Transparency Requirements

Health plans utilize Pharmacy Benefit Managers (PBMs) as an efficient, effective way to administer prescription drug benefits and ensure quality of care. PBMs help consumers save on the cost of prescription drugs, while using clinically based services to reduce medication errors, increase compliance with drug therapies, and improve health outcomes.

### How do PBMs help to reduce cost?

PBMs negotiate directly with manufacturers and pharmacists to obtain discounts for consumers. PBMs are not middlemen—they are the bargaining power for employers, government programs, unions and consumers.

- PBMs save patients 40-50 percent on their annual prescription drug and related medical costs, compared to what they would have spent otherwise.<sup>i</sup>
- PBMs will save consumers and taxpayers more than \$650 billion—up to 30 percent—on drug benefit costs over the next decade.<sup>ii</sup>
- PBMs generate \$6 in savings for each \$1 spent on their services.<sup>iii</sup>

The savings achieved are passed on through reduced premiums and lower out-of-pocket costs to plan members.

### How can we be sure consumers see savings from PBMs?

Under the ACA, health plans are **transparent** in how rates are set and are **accountable** under the Medical Loss Ratio (MLR). Rates are filed with the CO DOI and include detailed information on hospital, physician and drug spending, utilization, risk mix, and other various factors. Health plans are required by law to:

1. Spend 80 – 85 percent of premium on medical care and must refund to the plan member any portion of premium that exceeds this limit.<sup>iv</sup>
2. **Under federal law (CMS annual MLR filing instructions), health plans are required to deduct drug rebates in their MLR calculation. “Prescription drug rebates, refunds, incentive payments, bonuses, discounts charge backs, coupons, grants, direct or indirect subsidies, direct or indirect remuneration, upfront payments, goods in kinds or similar benefits received by the insurer.”<sup>v</sup>**
3. Additionally, Colorado health plans report medical claims to the All Payer Claims Database (APCD). In September 2019 (with reporting to include three previous years), health plans will also be required to report *“the total amount of any prescription drug rebates, discounts and other pharmaceutical manufacturer compensation or price concessions paid by the pharmaceutical manufacturers to a payer or their pharmacy benefit manager.”<sup>vi</sup>*

### PBMS ARE NOT THE PROBLEM:

By negotiating discounts from manufacturers, PBMs **REDUCE** the average cost of a brand prescription from **\$350 to \$268**.

Two of the largest PBMs in the market recently reported that they **return 95-98 percent of rebates to their customers**.

While PhRMA likes to blame rebates for high drug prices, pharmaceutical manufacturers only agree to rebates **for a fraction of the drugs they produce**.

Facts can be found at:  
<https://www.pcmanet.org/wpcontent/uploads/2016/11/ROI-on-PBM-Services-FINAL.pdf>

<sup>i</sup> <https://www.pcmanet.org/the-return-on-investment-roi-on-pbm-services/>

<sup>ii</sup> <https://www.pcmanet.org/our-industry>

<sup>iii</sup> <https://www.pcmanet.org/wpcontent/uploads/2016/11/ROI-on-PBM-Services-FINAL.pdf>

<sup>iv</sup> <https://www.sos.state.co.us/CCR/GenerateRulePdf.do?ruleVersionId=7969>

<sup>v</sup> <https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/2016-MLR-Form-Instructions.pdf>

<sup>vi</sup> Revision to the Executive Director of the Department of Health Care Policy and Financing Rule Concerning All-Payers Claims Database. 10 CCR 2505-5, Sections 1.200.1, 1.200.2 A.