

Pharmacy Benefit Manager Overview

Presenters:

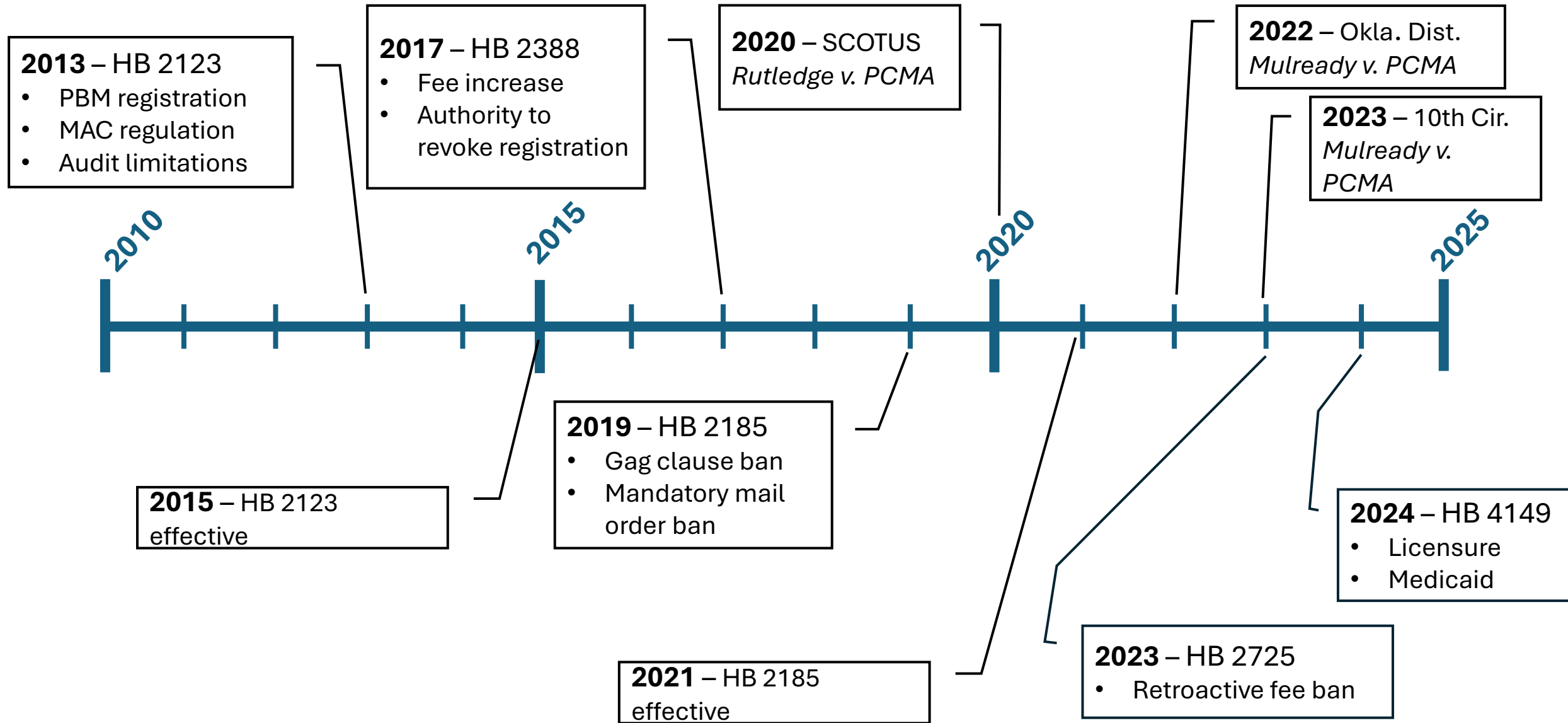
Jesse O'Brien, DFR policy manager

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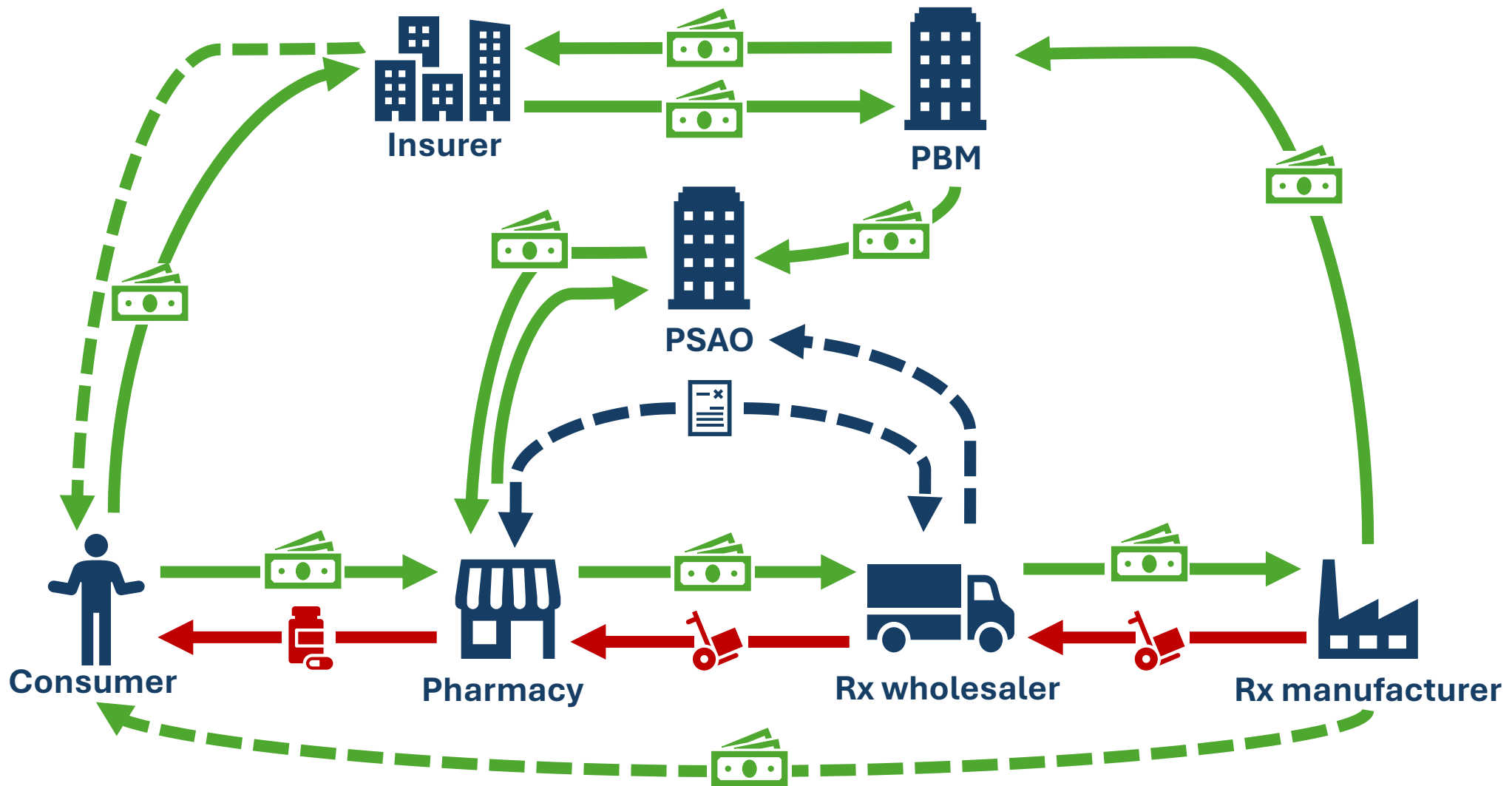


Department of Consumer
and Business Services

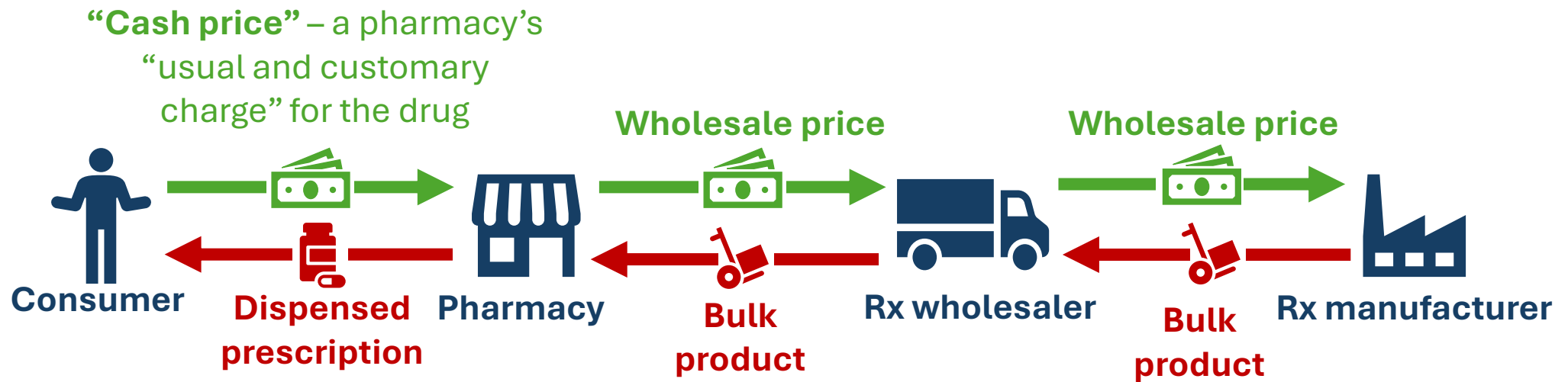
A brief history of PBM regulation in Oregon



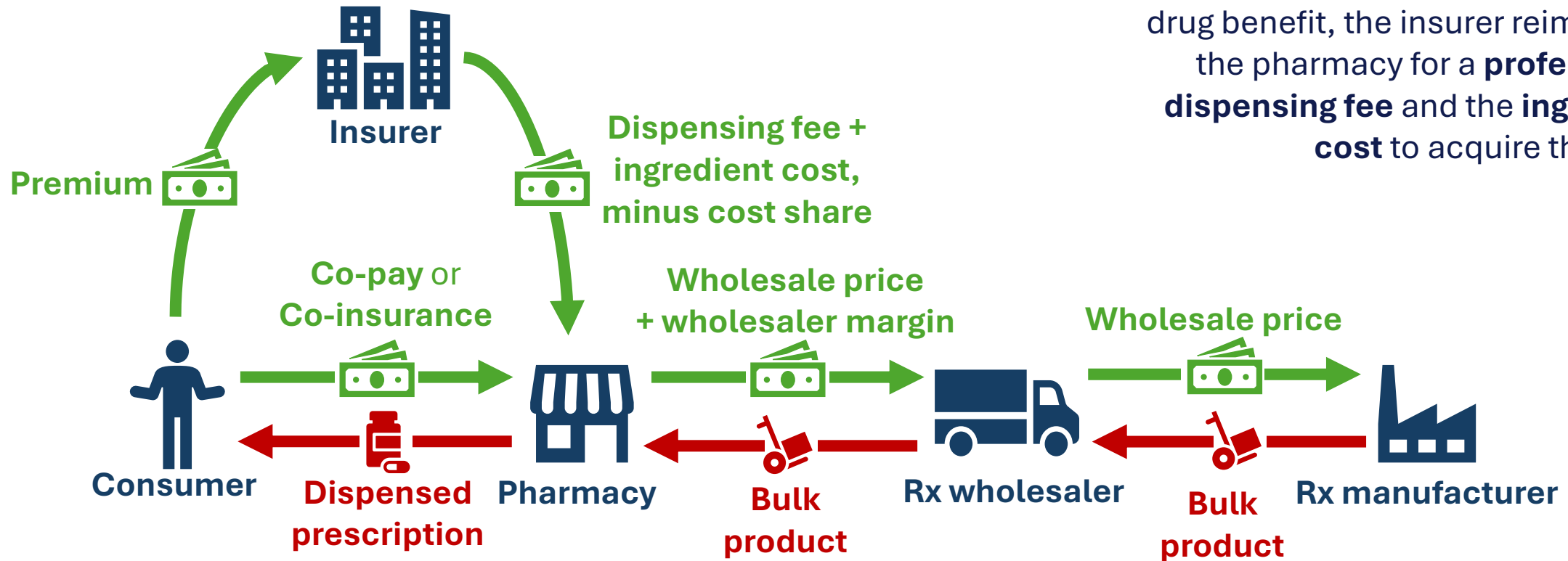
Rx 101: Pharmacy reimbursement is complicated



Rx 101: “Cash price” transactions



Rx 101: Health insurance, no PBM



When a consumer has a prescription drug benefit, the insurer reimburses the pharmacy for a **professional dispensing fee** and the **ingredient cost** to acquire the drug.

Pharmacy reimbursement



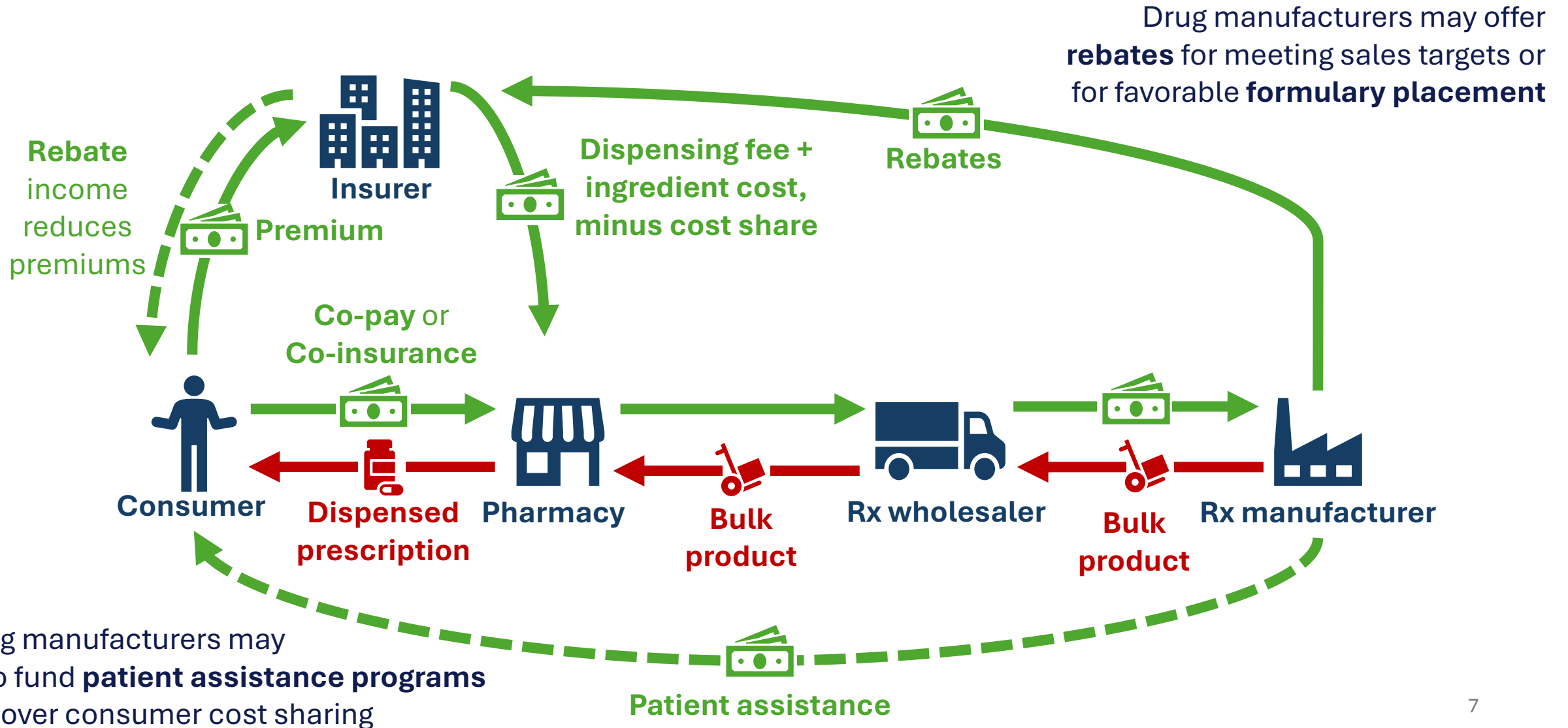
Medicaid fee-for-service

“Open card” Medicaid	\$9.80 - \$14.30	Actual average acquisition cost “AAAC” (based on survey data)	
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Commercial insurance, CCOs, PBMs serving all markets (generally)

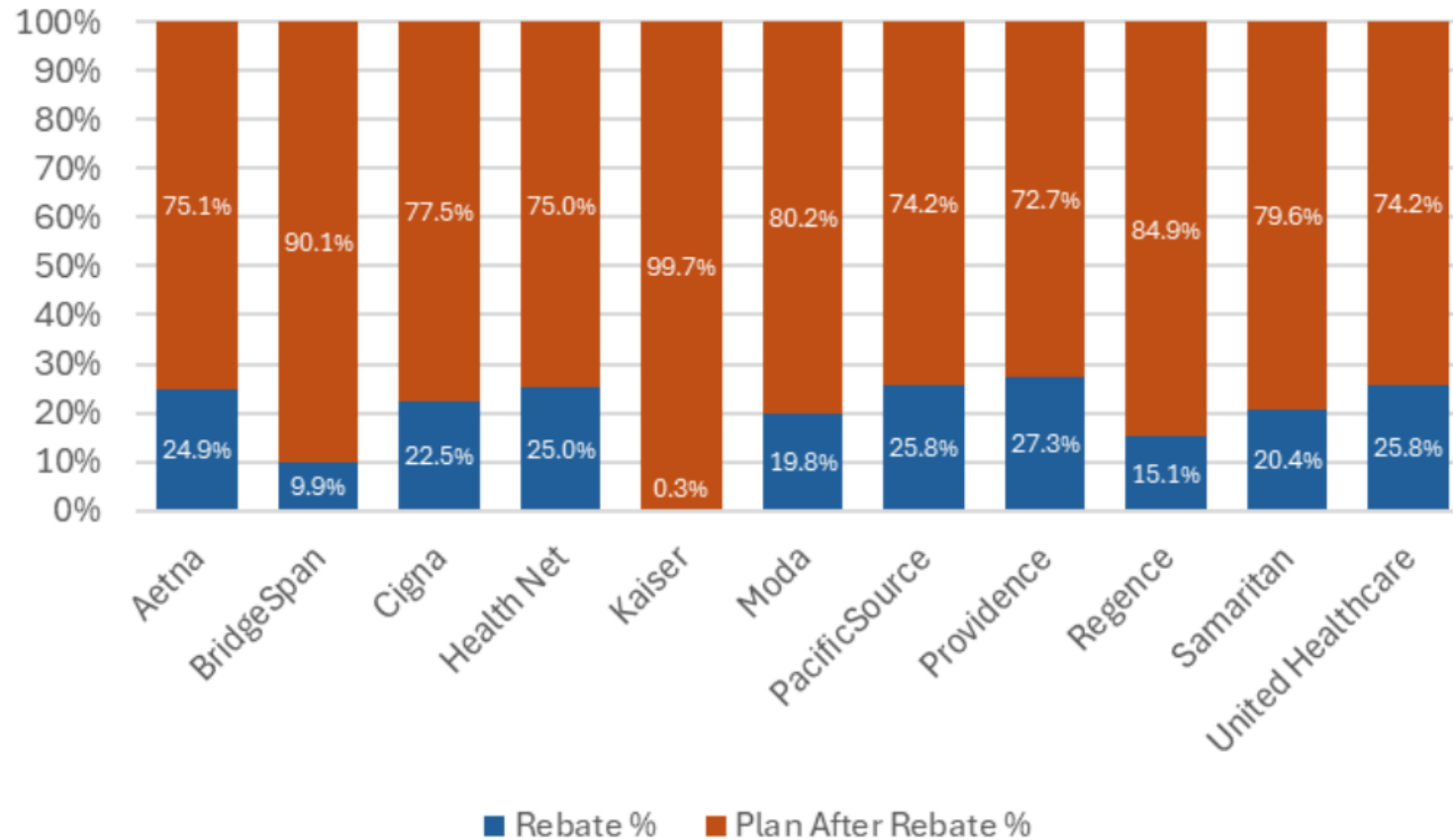
Branded drugs	Contract	Average wholesale price “AWP”	
Generic drugs	Contract	Maximum allowable cost “MAC”	

Rx 101: Manufacturer rebates and PAPs



Rx 101: Manufacturer rebates

Plan spend vs. manufacturer rebates, 2023 plan year



The **Oregon Drug Price Transparency Program** collects information from insurance carriers on the amount of prescription drug spending that is covered by **manufacturer rebates** relative to direct plan expenditures.

For 2023, manufacturer rebates covered between 0% and 26% of all prescription drug spending.

Formularies

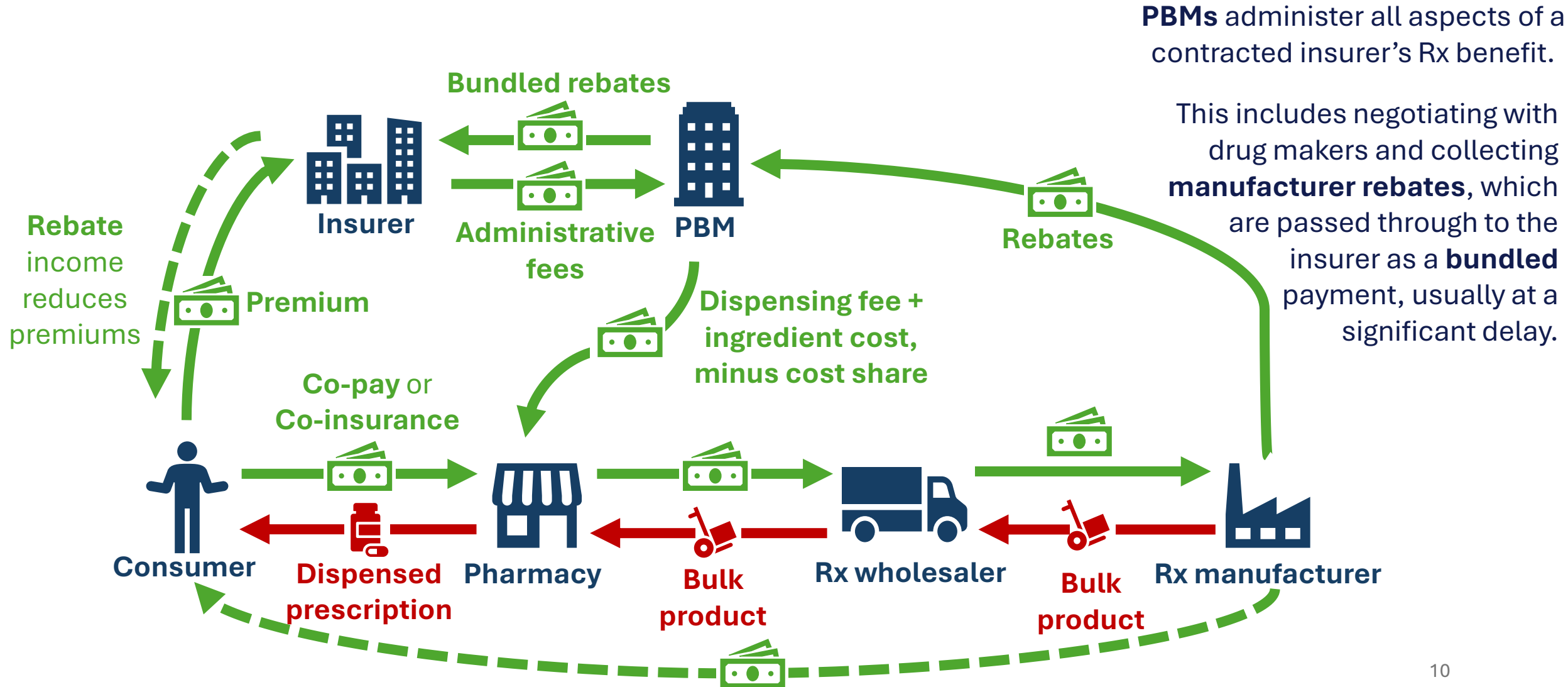
Most insurers use a **tiered formulary** for drug coverage. Higher formulary tiers typically reflect higher consumer **cost sharing**. They may also require a consumer to go through **step-therapy** or a **prior-authorization** process to get coverage of a particular drug.

Formulary placement is a key-way that insurers can incentivize the use of more cost-effective medications but can also be used to negotiate rebates for brand-name drugs.

An example formulary from Medicare Part C

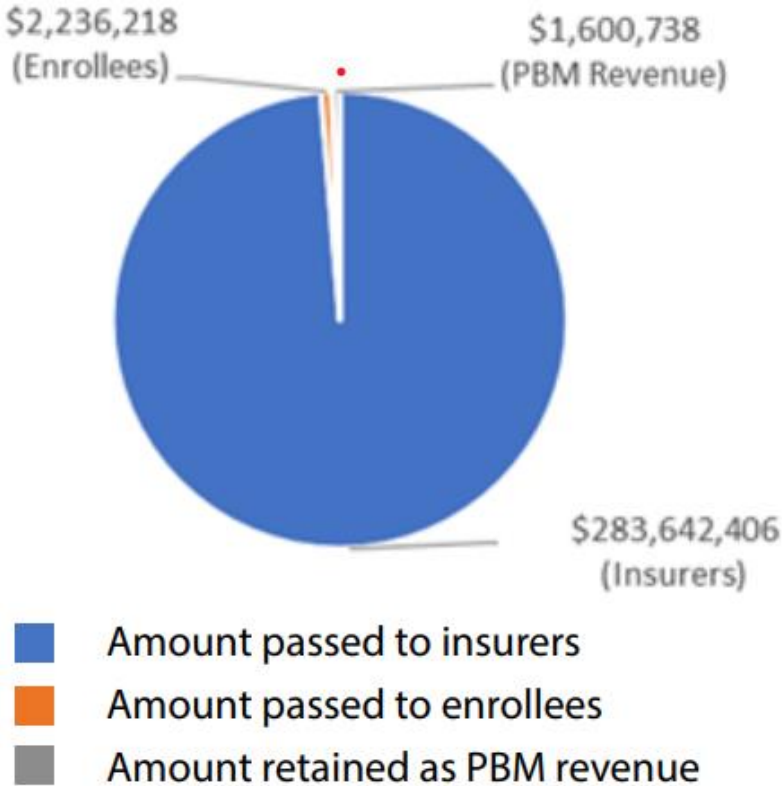
Drug tier	Includes
Tier 1: Preferred Generic	Lower-cost, commonly used generic drugs.
Tier 2: Generic	Many generic drugs.
Tier 3: Preferred Brand	Many common brand name drugs, called preferred brands and some higher-cost generic drugs.
Covered Insulin Drugs*	Insulin drugs with \$35 max copay.
Tier 4: Non-preferred Drug	Non-preferred generic and non-preferred brand name drugs.
Tier 5: Specialty Tier	Unique and/or very high-cost brand and generic drugs.

Rx 101: Pharmacy benefit managers (PBMs)



Rx 101: Rebate pass-through

Gross rebates and disposition reported (2023)

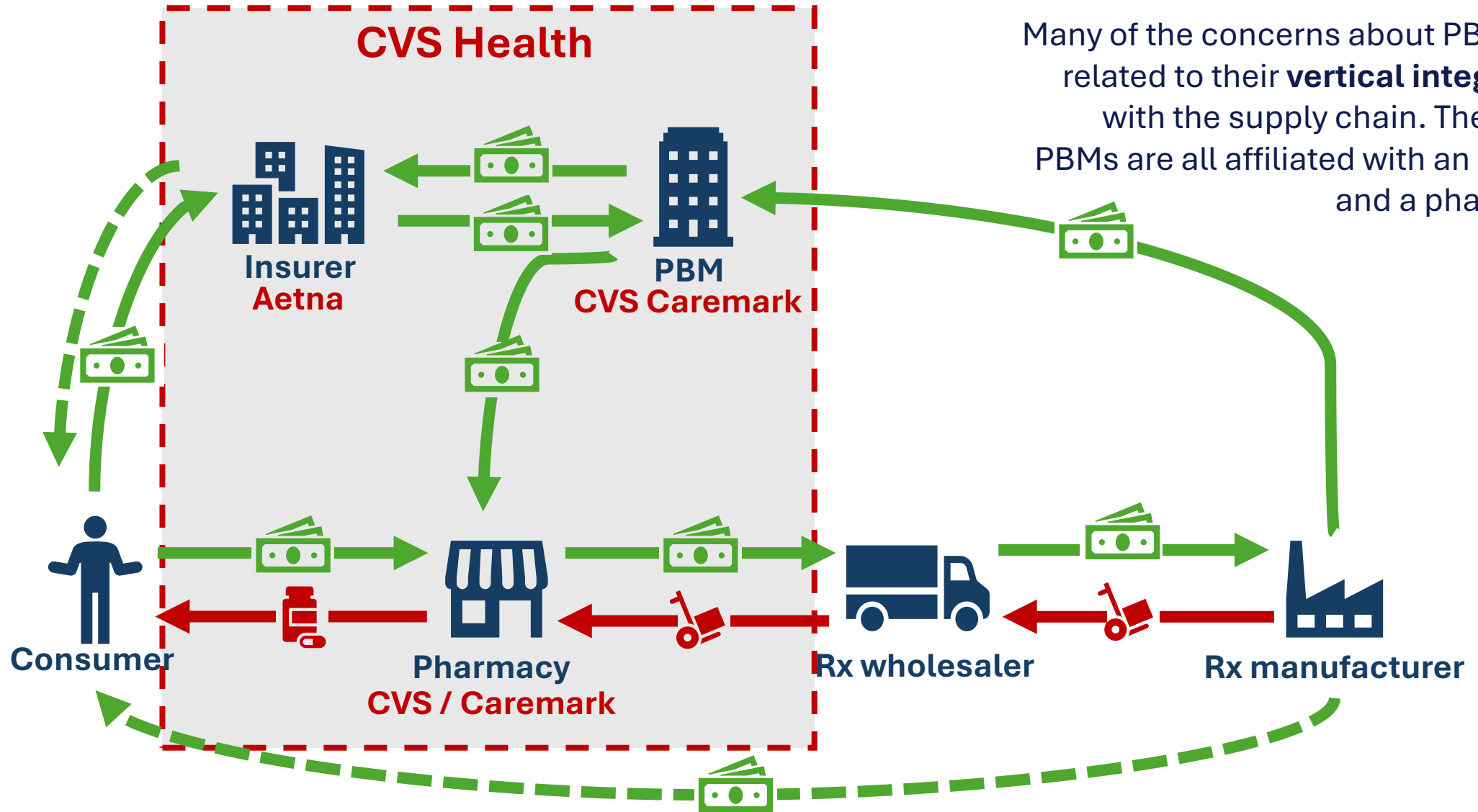


Amount passed to insurers	Amount passed to enrollees	Amount retained as PBM revenue
\$283,642,406	\$2,236,218	\$1,600,738

Starting in 2024, Oregon began collecting data on rebate pass-through (2023 SB 192). For the first year of data collection, PBMs reported \$287m in gross rebate revenue, with **98.7%** passed through to insurers, **0.78%** passed directly to enrollees, and **0.56%** retained by the PBM as revenue.

Data Source: Oregon Drug Price Transparency Program (2024)

Rx 101: Vertical integration



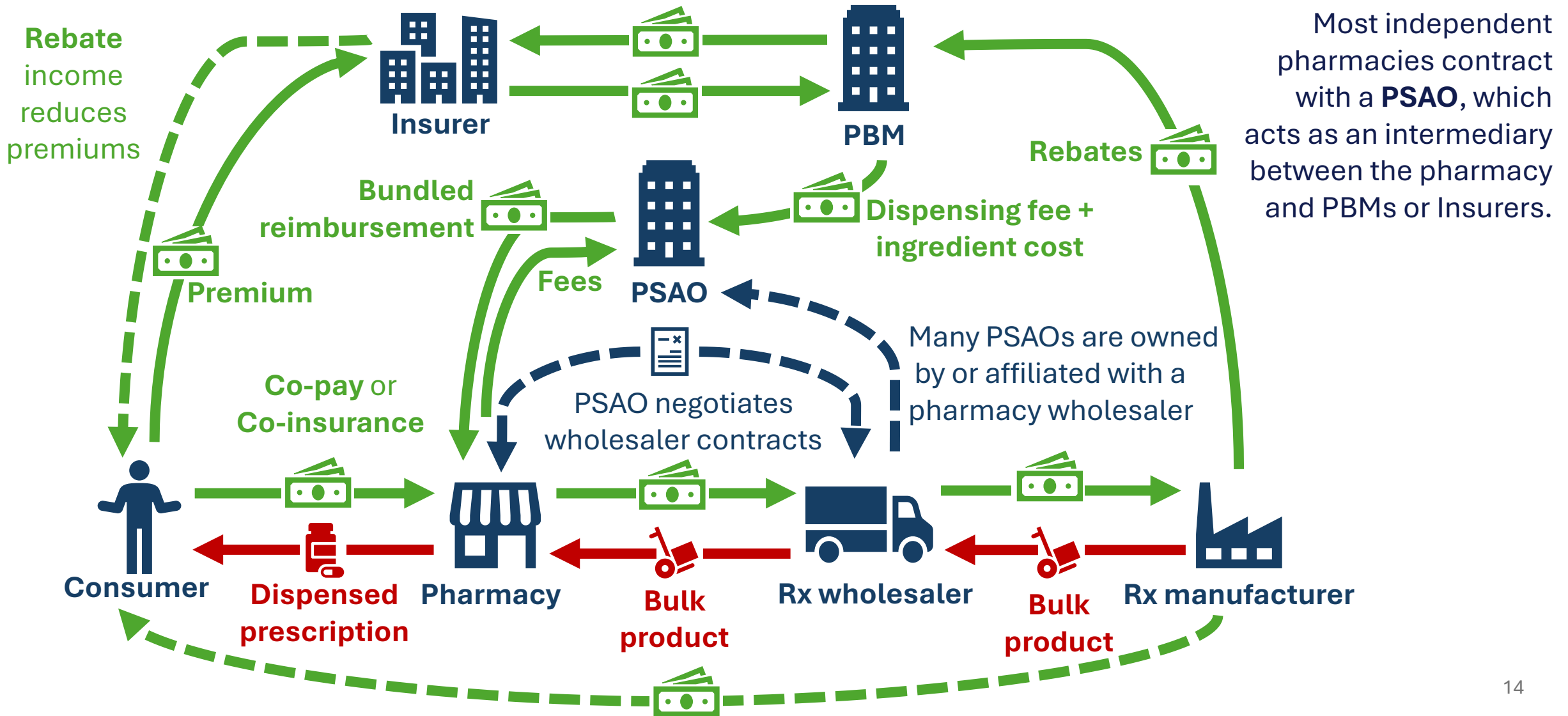
Rx 101: Vertical integration

Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2024



1. Centene began outsourcing its PBM operations to Express Scripts in 2024. In 2023, Centene rebranded its Envolve Pharmacy Solutions pharmacy benefit subsidiary as Centene Pharmacy Services. In 2022, Prime Therapeutics completed its acquisition of Magellan Rx from Centene.
 2. Synergie is a buying group focused on medical benefit drugs. Its ownership includes Blue Cross Blue Shield (BCBS) Association, Prime Therapeutics, Elevance Health, and other independent BCBS health plans.
 3. Since 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx Walgreens Pharmacy for mail/specialty pharmacy services. In 2021, Walgreens purchased Prime Therapeutics' 45% ownership interest, so this business had no PBM ownership as of 2022. In 2022, the company was rebranded as AllianceRx Walgreens Pharmacy. In August 2024, AllianceRx Walgreens Pharmacy will become Walgreens Specialty Pharmacy.
 4. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.
 5. Since 2020, Prime has sourced formulary rebates via Ascent Health Services. In 2021, Humana began sourcing formulary rebates via Ascent Health Services for its commercial plans.
 6. In 2023, Cigna's Evernorth business made a significant minority investment CarepathRx Health System Solutions.
 7. Previously known as Evernorth Care Group and Cigna Medical Group.
 8. In 2021, Cigna's Evernorth business acquired MDLIVE.
 9. Walgreens owns a majority of VillageMD. In 2022, Cigna invested \$2.7 billion for an estimated 14% ownership stake in VillageMD. In 2024, Cigna recorded a \$1.8 billion loss on its investment.
 10. In 2023, CVS Health completed its acquisitions of Signify Health and Oak Street Health.
 11. Previously known as IngenioRx.
 12. In 2023, Elevance Health completed its acquisition of BioPlus Specialty Pharmacy from CarepathRx. In 2024, Elevance Health acquired Paragon Healthcare, which operates specialty pharmacies and infusion centers, and Kroger Specialty Pharmacy.
 13. Includes CareMore Health and Aspire Health. In 2024, CarelonRx announced a primary care partnership with investment firm Clayton, Dubilier & Rice.
 14. In 2021, Partners in Primary Care and Family Physicians Group businesses were rebranded as CenterWell Senior Primary Care.
 15. In 2022, Kindred at Home was rebranded as CenterWell Home Health. In 2022, Humana announced an agreement to divest its majority interest in Kindred at Home's Hospice and Personal Care Divisions to Clayton, Dubilier & Rice. Humana also announced plans to close a majority of its SeniorBridge home care locations.
 Source: *The 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Exhibit 254. Companies are listed alphabetically by corporate name.

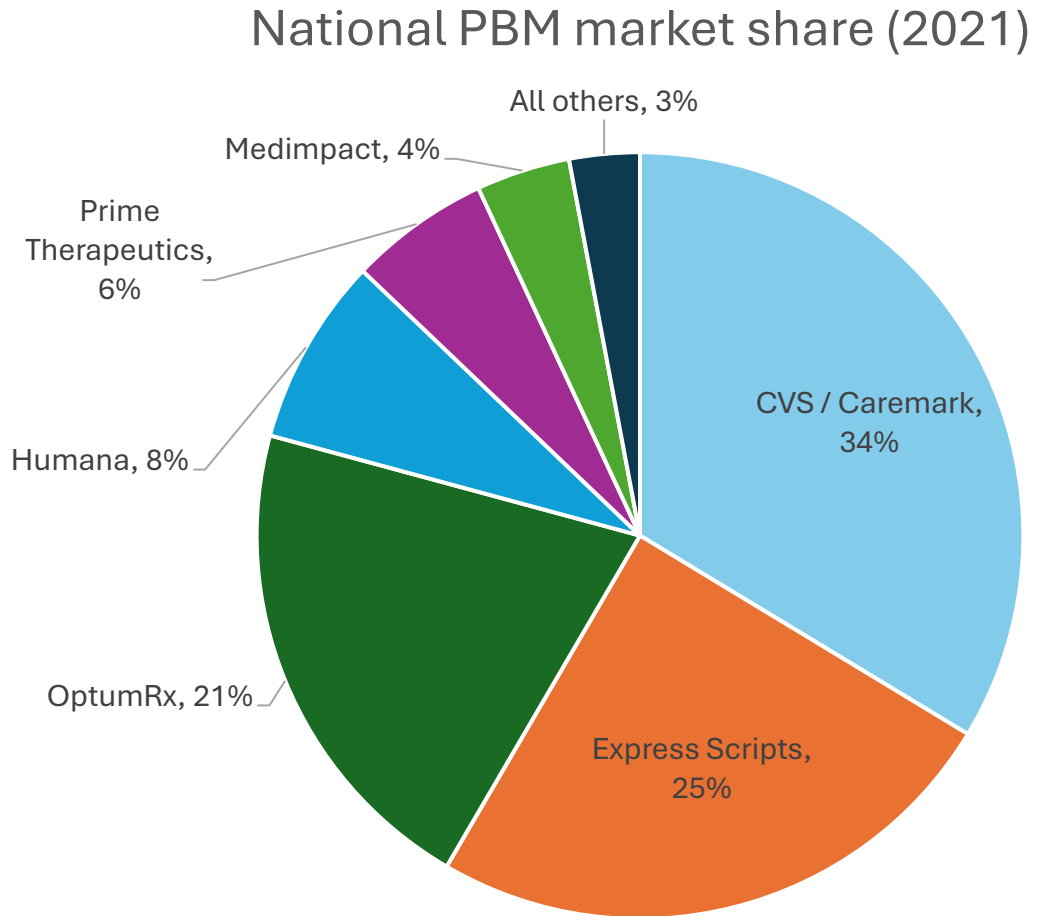
Rx 101: Pharmacy service administrative organizations (PSAO)



PBM market landscape

Currently, 58 entities are registered as PBMs with the state of Oregon.

However, the PBM market is highly consolidated, with 80% of the market controlled by three companies: CVS/Caremark, Express Scripts, and OptumRx. The five largest PBMs cover 97% of the market.



Lines of business subject to Oregon's PBM law

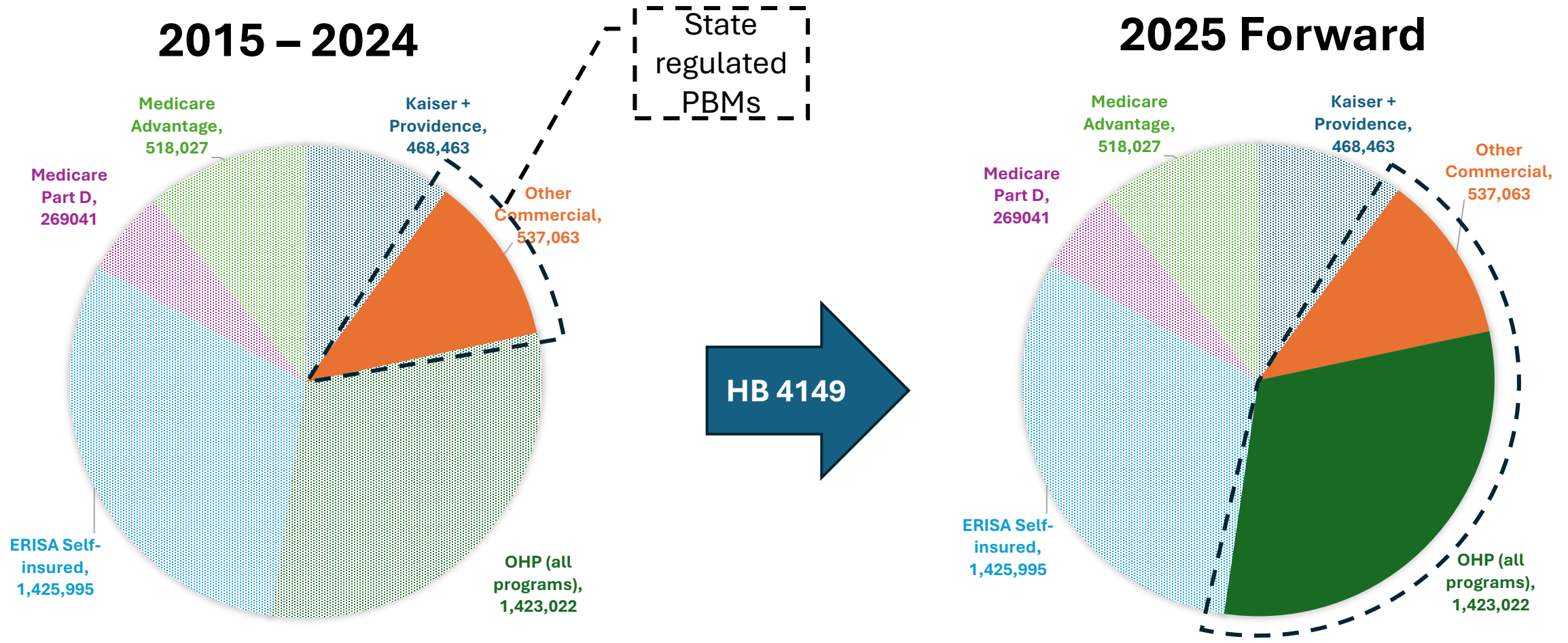
2015 – 2024

ORS 735.530(11)(a) “Pharmacy benefit manager” means a person that contracts with pharmacies on behalf of an insurer offering a health benefit plan, a third-party administrator or the Oregon Prescription Drug Program . . .

2024 HB 4149 (2025 forward)

ORS 735.530(11)(a) “Pharmacy benefit manager” means a person that contracts with pharmacies on behalf of an insurer, coordinated care organizations as defined in ORS 414.025 or the Oregon Prescription Drug Program . . .

Lines of business subject to Oregon's PBM law



Commercial and Self-insured enrollment figures from DFR quarterly insurance enrollment report for Q2 2022. Medicaid enrollment from OHA. Medicare Part D enrollment from CMS. All figures reflect numbers as of September 31, 2024

MAC appeal requirements



If a pharmacy is paid less than its acquisition cost under **MAC**, it may appeal its reimbursement to the PBM.

Note: *this does not apply to reimbursement calculated in other ways, such as AWP*

Pharmacy cost	
	Wholesale = \$110
	Overhead = \$10

PBM reimbursement	
	MAC = \$100
	Dispensing fee = \$5

Pharmacy Net = -\$15

PBM denies appeal



PBM must identify a drug and wholesaler(s) where the drug may be acquired at or below the **MAC price**.

	Wholesaler A	Cost = \$110
	Wholesaler B	Cost = \$100
	Wholesaler C	Cost = \$90



PSAO?

Identified drug must be generally available for purchase for **similarly situated pharmacies**.



PBM allows Pharmacy to **reverse and rebill** claim at the adjusted cost and **adjusts MAC** for that pharmacy moving forward.

Adjusted PBM Reimbursement	
	MAC = \$110
	Dispensing fee = \$5

Pharmacy net = -\$5

MAC appeals do not affect the PBM's dispensing fee reimbursement.

PBM grants appeal

The numbers presented here are not reflective of an actual transaction and are presented solely for illustrative purposes.

Other PBM market conduct requirements

Clawback: A PBM may not retroactively deny or reduce reimbursement for a claim for the cost of services after the claim has been adjudicated (except in cases of fraud or error). A PBM may not impose a fee on a pharmacy after the point of sale (**2023 HB 2725**).

Mail order (2019): A PBM may not require that a prescription be filled by a mail-order pharmacy as a condition of reimbursement.

Gag clause ban (2019): A PBM may not penalize a pharmacy for notifying a patient that the “cash” price of a drug would be less than the co-pay required under their coverage.

Additional changes in HB 4149

- **Licensure:** PBMs must be licensed with DCBS to operate in Oregon. This gives DCBS access to additional enforcement and investigatory tools under the insurance code.
- **Access to Contracts:** DCBS may request contracts, amendments, and provider manuals provided by a PBM to pharmacies and PSAOs. Materials provided are exempt from public records law.
- **Appeal Rights:** A pharmacy may file a complaint with DCBS contesting a PBM's response to a MAC appeal or other noncompliance with Oregon law.
- **Retaliation Ban:** A PBM may not penalize a network pharmacy for filing an appeal, engaging in the legislative process or challenging the PBM's business practices.

Questions?

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Department of Consumer
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