

# Role of Pharmacy Benefit Managers in Medicaid Managed Care

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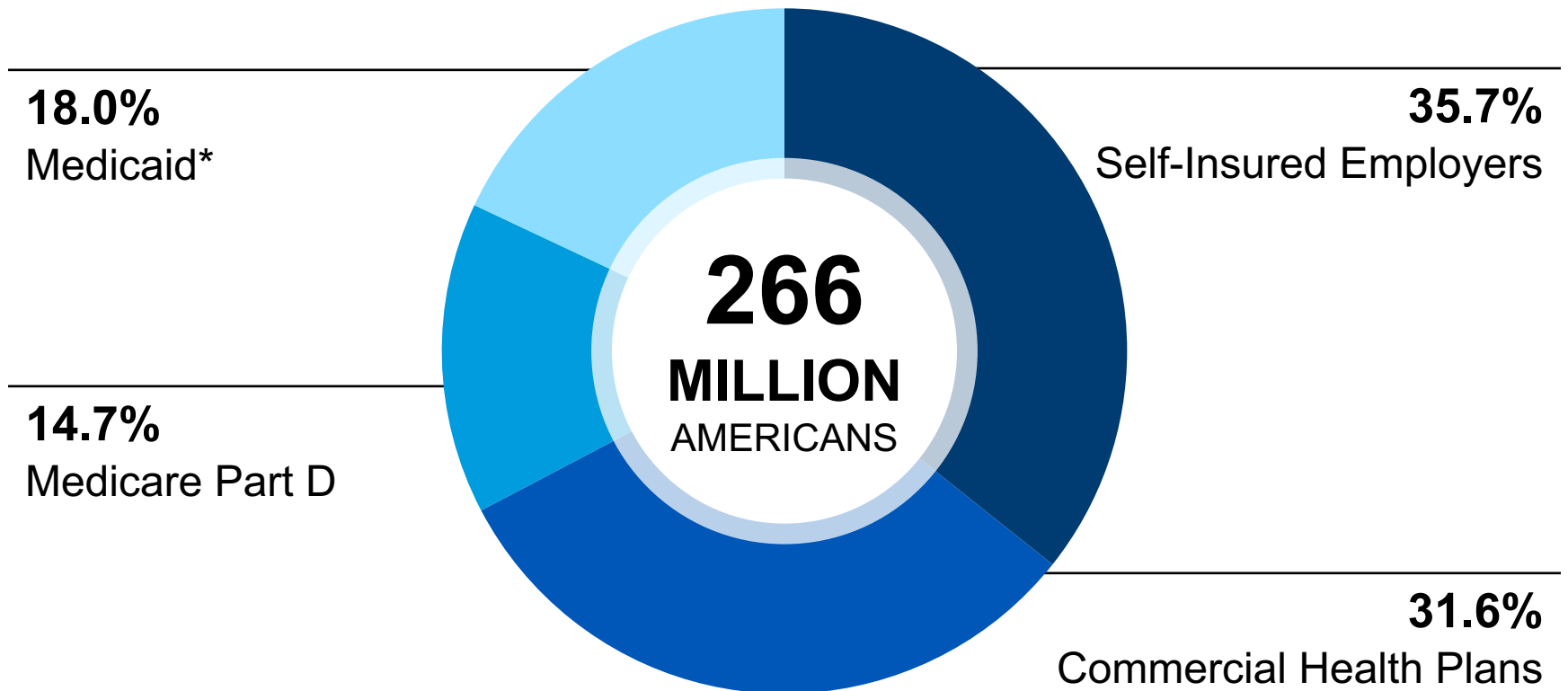
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# What Is a PBM?

- A pharmacy benefits manager (PBM) is a health care company that contracts with insurers, employers, and government programs to administer the prescription drug portion of the health care benefit
- PBMs work with insurers, employers, and government programs to perform a variety of services to ensure high-quality, cost efficient delivery of prescription drugs to consumers

# PBMs' National Footprint

PBMs administer the drug benefit for more than **266 million Americans** on behalf of their health plan sponsor



\*Excludes Medicare-Medicaid Dual Eligibles where drugs are covered by Medicare Part D.  
Source: Visante estimates prepared for PCMA, 2016.

# Pharmacy Benefit Management Services



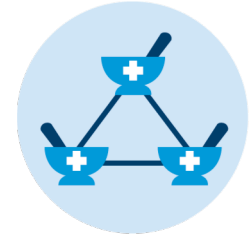
Claims Processing



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers and Drugstores



Formulary Management



Pharmacy Networks



Mail-service Pharmacy



Specialty Pharmacy



Drug Utilization Review



Disease Management and Adherence Initiatives

# A Plan Sponsor Is the PBM's Client

- In this instance the “Client/Customer” is the ACO
- The plan sponsor always has the final say when creating a drug benefit plan
- Unlike commercial coverage (PEHP), Medicaid must cover all FDA-approved treatments – requires much more management to control costs
- There is no one-size-fits-all model because each plan sponsor has unique needs
  - Adherence
  - Utilization
  - Population/Demographics
  - Etc.

# Plan Transparency and Management

- **With a carved in pharmacy benefit the ACO takes the risk**
  - Of 13 states that carved-out the pharmacy benefit it has shown that in all circumstances, pharmacy as a fee-for-service benefit is more expensive than having managed care take the risk
  - 10 of 13 states moved back to a carve-in after experiencing higher pharmacy costs
  - We save money by having ACOs manage pharmacy through a PBM
- **As plan sponsors, ACOs have full audit rights, transparency and mitigation strategies in their contracts**
- **The PBMs are fully transparent to the ACO**
  - They negotiate the pharmacy benefit on behalf of their managed population and in accordance with state and federal law.

# How Would the World Look Without PBMs?

- Without management of benefit, 40-50% higher costs<sup>1</sup>
  - No one to make drug manufacturers compete with each other
  - No competition on price or quality in the pharmacy space
  - No auditing of pharmacies for fraud, waste, and abuse
  - No utilization controls that reduce waste and increase adherence
  - Paper claims, longer claims processing times, inability to have real-time reimbursement and coverage information for consumers at the pharmacy counter
  - Lower utilization of generic drugs

<sup>1</sup> Visante, *The Return on Investment (ROI) on PBM Services*. (November 2016).

**QUESTIONS?**