

Utah House of Representatives
Health and Human Services Committee
February 25, 2019
Rep. Paul Ray

Flow of Payment for a \$400 Insulin (Deductible Example): Scott

Number	Item	Amount	Computation
[WAC]	Wholesale Acquisition Cost	\$400.00	WAC (set by manufacturer)
[AWP]	Average Wholesale Price	\$480.00	[WAC] * 1.2 (determined by pricing publications)
Wholesaler:	[1] Buys product from manufacturer	\$400.00	[WAC]
	[2] Collects distribution fee from manufacturer	\$18.00	[1] * 4.5%
	[3] Sells product to pharmacy	\$384.00	[1] - 4.0%
	Wholesaler Retains	\$2.00	[2] - [1] + [3]
Pharmacy:	[4] Collects cost-sharing from patient	\$408.00	[AWP] - 15%
	[5] Collects dispensing fee from PBM	\$1.50	Estimate
	[6] Reimbursed by PBM for ingredient cost	\$0.00	No payment made by PBM
	Pharmacy Retains	\$25.25	[4] + [5] - [3] - [11]
PBM:	[7] Collects base rebate from manufacturer	\$260.00	[WAC] * 65%
	[8] Collects administrative service fee from manufacturer	\$18.00	[WAC] * 4.5%
	[9] Collects price protection rebate from manufacturer	\$16.00	[WAC] * 4.0%
	[10] Collects and retains administrative fee from health plan/plan sponsor	\$1.00	Negotiated with health plan/plan sponsor. Per claim fee
	[11] Collects and retains transaction and E-prescribing fees from pharmacy	\$0.25	Transaction (\$0.10) + E-prescribing (\$0.15) fees
	[12] Retains share of base rebate and price protection rebate	\$40.50	[7] * 12.5% + [9] * 50%
	[13] Retains share of manufacturer administrative fee	\$13.50	[8] * 75%
	[14] Reimbursed for ingredient cost by health plan/plan sponsor	\$0.00	No payment made by health plan/plan sponsor
PBM Retains	\$53.75	[10] + [11] + [12] + [13] - [5]	
Health Plan/ Plan Sponsor:	[15] Payment to PBM	\$1.00	[10]
	[16] Receives share of rebates and fees	\$240.00	([7] + [9] - [12]) + ([8] - [13])
Final Health Plan/Plan Sponsor Retains	\$239.00	[16] - [15]	
Patient Payment Amount		\$408.00	[4]
Manufacturer-retained Payment		\$88.00	[WAC] - [2] - [7] - [8] - [9]

Assumptions

Brand WAC/Rx (30-day supply)	\$400	PBM rebate pass through to health plan/plan sponsor	87.5%
Wholesaler fees/discounts (WAC discount)	4.5%	Administrative fee to PBM (from manufacturer) (WAC discount)	4.5%
Pharmacy ingredient cost reimbursement (AWP discount)	17.0%	PBM administrative fee pass through to health plan/plan sponsor	25%
Pharmacy ingredient acquisition cost (WAC discount)	4.0%	Price protection rebate to PBM (from manufacturer) (WAC discount)	4.0%
Pharmacy dispensing fee	\$1.50	Price protection rebate pass through to health plan/plan sponsor	50%
PBM base rebate (WAC discount)	65%	Patient cost-sharing amount	\$408.00

Scott takes insulin for his type 2 diabetes and has health coverage with a high deductible from his employer. Prior to meeting his deductible each year, he has to pay more than the full undiscounted cost of his medicine, \$408.00, even though his health plan receives a rebate from the manufacturer that reduces the list price by 65%. Scott is paying the amount that is contracted between the health plan and the PBM which, in this case is higher than the list price of the medicine. Although the health plan does not pay for Scott's insulin while he is in his deductible, it still receives the negotiated rebate and earns \$239.00 per prescription. The PBM earns \$53.75, including fees and a share of the rebate it negotiated, while the manufacturer retains \$88.00.

Flow of Payment for a \$400 Insulin
 (Patient Is in Deductible Phase)

