

# What is a Pharmacy Benefits Manager?

*The cost of prescriptions is the fastest growing segment of healthcare cost in the United States, faster than hospital and physician costs combined. It is estimated that in 2015, prescription drug expenditures in the United States were approximately \$457 billion, representing roughly 16.7% of the overall dollars spent on personal healthcare services.*

A pharmacy benefits manager (PBM) is a third-party administrator (TPA) of prescription drug programs. PBMs are contracted by employers to provide prescription drug benefit management for their employees.

## PBMs offer a variety of services to employers including

- Processing plan member prescription claims
- Negotiating drug prices with drug companies and pharmacy networks
- Administering mail order and specialty pharmacy channels and claims
- Leverage tools to encourage the use of generics and affordable brands
- Performing drug utilization analysis and reviews
- Developing and managing formularies (a list of preferred drugs covered under a plan)
- Managing high-cost specialty medications for patients with complex conditions
- Implement programs to ensure patient compliance

## Benefits to working with a PBM



### COST SAVINGS

PBMs can reduce costs by negotiating discounts with pharmacies and offering cost effective options such as mail order fulfillment. PBMs steer plan participants to more cost effective drugs through the use of a formulary.



### INFORMATION & INSIGHTS

Employers have access to reports providing drug utilization information which aids in reducing waste and supporting patient adherence to the prescribed drug regimens.



### EXPERTISE

PBMs make staying current with changes in the field of prescription drugs easy by keeping employers informed of industry changes in pricing, safety, efficacy and much more.

Choosing a PBM to help manage your prescription claims cost can be challenging. Knowing the right questions to ask PBM candidates will help you choose a PBM that can lower your prescription claims cost.

## Questions to ask when selecting a PBM:

- Do they classify brand and generic drugs based on a specified national reporting service?
- Does their definition of a claim only include "paid" claims or do they include "duplicate", "reversed", or "rejected" claims?
- Will they disclose and allow regular access to their Maximum Allowable Cost (MAC) list and disclose the discount level for generic drugs not included on their MAC list?
- Will they provide both full disclosure and verification of fulfilling all your PBM obligations, including but not limited to drug formularies, pricing methodologies, MAC and Specialty drug lists?
- Will they define "rebate" as any manufacturer derived revenue related to plan utilization, including but not limited to formulary revenue, market share utilization, administration fees and data fees?
- Will they disclose all manufacturer contracts yielding any payment to you related to member utilization under the plan?
- Will they disclose all sources of revenue directly or indirectly related to the administration of the plan?
- Is the price of the drug that they pay at the pharmacy, the exact same amount the plan sponsor will pay for the drug?
- Will they provide access to all agreements relating to the administration of the plan, including but not limited to pharmacy networks, manufacturer rebates and all claims data?
- Will they allow the plan sponsor to give final approval before any drug may be classified a specialty drug and included on the specialty drug list?

## Frequently Asked Questions



**How will employee co-pays be managed?**



Working with a PBM ensures that plan participants receive timely information outlining what co-payments to anticipate and who to contact with questions or assistance, if needed.



**How will I know when existing drugs are being transitioned to the generic category?**



You can specify the frequency you would like prescription plan updates from your PBM – the more frequent the better, as the drug industry changes rapidly.