Tennessee Pharmacists Association

VOTE YES on HB2661/SB2458

Enforcing PBM Reform in Tennessee

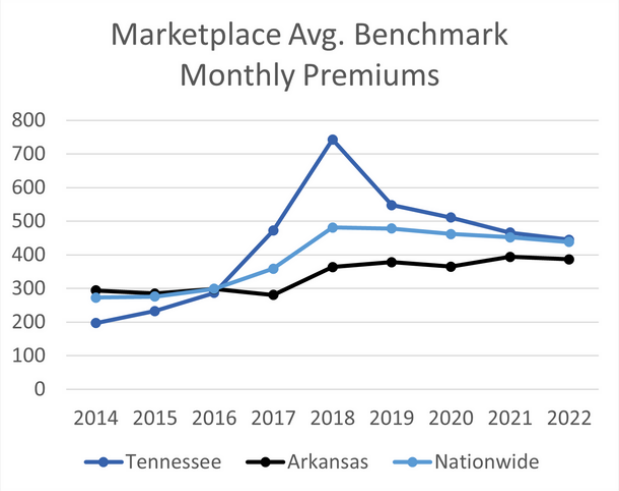
UNDERSTAND THE EVOLVING BUSINESS MODELS AND REVENUE OF PBMS

- Pharmacy Benefit Managers, or PBMs, are third-party administrators contracted by health plans, employers, and government entities to manage prescription drug programs on behalf of health plan beneficiaries.
- PBMs determine which pharmacies will be included in a prescription drug plan's network and how much those pharmacies will be paid for their services.
- PBMs also determine which medications will be covered by the plan (the "plan formulary"), and drug manufacturers often pay PBMs (in the form of "rebates") to get their drugs onto those formularies.
- Today, three large companies – Caremark (owned by CVS), OptumRx (owned by United Health), and Express Scripts (owned by Cigna) – cover more than 238 million lives, or roughly 89 percent of the national market. In 2021, their annual revenues were a staggering $292.1 billion, $287.6 billion, and $171.1 billion, respectively.
- Overall, PBM gross profit (defined as revenue minus the cost of goods sold) increased by 12%, from $25 billion in 2017 to $28 billion in 2019.
- Between 2017 and 2019, PBMs adapted their business models to rely more on revenue from fees assessed on manufacturers and payers, as well as gross profit on prescriptions filled through affiliated mail order and specialty pharmacies, while shifting away from a dependence on rebates.
- Between 2017 and 2019, gross profit from administrative fees paid by manufacturers increased by 51%, from $3.8 billion to $5.7 billion.

HB 2661/SB 2458 ALONE WILL NOT INCREASE HEALTH PREMIUMS

Since 1999, the Kaiser Family Foundation has documented trends in the employer-sponsored health insurance market. Premiums for full per-person health coverage have increased every year. In 1999, the average documented premium, including the share that workers pay, was $2,196. In 2021, this figure was $7,739. (bit.ly/KFFcoverage)

According to the Kaiser Family Foundation, in the state of Arkansas (which deployed similar PBM reform in 2015), health premiums did not increase as much as the national average (even when factoring in healthcare inflation rates). Arkansas' health premiums ($387) are actually far less now than the national average ($438), while Tennessee's average health premiums ($445) are above the national average. (bit.ly/KFFpremiums)



HB 2661/SB 2458 WILL:

- Ensure patient choice: Patients will no longer be required to use a pharmacy determined by a PBM instead of their pharmacy of choice.
- Provide clarity to plan sponsors and pharmacies with regard to how medication pricing is determined and updated and establish an appeal process in which a dispensing provider can contest a listed price.