COALITION FOR AFFORDABLE PRESCRIPTION DRUGS

PBMs and Rebates: Get the Facts

As more attention has focused on the rising prices of prescription drugs, drug companies have spread misinformation about pharmacy benefit managers (PBMs) and the work they do for the businesses, unions, and government programs they partner with. The truth is plan sponsors rely on PBMs to manage costs and ensure access; policymakers should preserve the tools that allow them to do so.

GAO: PBMs SHARE PART D REBATES, CREATE SAVINGS

In August 2019, the Government Accountability Office (GAO) released a report to Congress outlining the work that PBMs perform in Medicare Part D. In its report, the GAO found **PBMs pass through almost all (99.6%) of the rebates** they negotiate to plan sponsors, which are then used to lower costs for beneficiaries and the federal government.

Other highlights included:

- Because of PBM rebates, net drug expenditures in Part D have not risen as fast as overall drug spending. In 2016 alone, **PBM rebates and price concessions saved Medicare Part D $29 billion** on prescription drugs.
- PBM rebates directly contribute to lower premiums for beneficiaries. GAO wrote that savings from rebates are "one reason that premiums remained relatively unchanged between 2010 and 2015." Part D premiums have fallen 13.5% on average since 2016.
- Overall, fees paid to PBMs from pharmacy price concessions and bonuses have remained stable. Service fees drug companies pay to PBMs remain a very small part of Part D spending (0.4%).
- Contrary to claims and assertions by pharma, the fees Part D plans pay to their PBMs are based on the number of claims or the size of the patient population, rather than drug prices.

ADMINISTRATION WITHDRAWS REBATE RULE

In 2018, the Department of Health and Human Services (HHS) announced a proposed rule to end the legal "safe harbor" allowing PBMs to negotiate rebates for Medicare Part D plans. In July 2019, the Administration withdrew the rule. The Congressional Budget Office found **ending PBM rebates in Medicare Part D would have an enormous and damaging financial impact** on seniors and taxpayers:

- According to HHS, in the first year of the proposed rule, beneficiary premiums would have spiked by as much as 22%, or more than $61 per beneficiary per year on average.
- CMS' own actuary estimated that the proposed rule would cost the federal government $196 billion dollars over a decade.
- Eliminating rebates would have saved pharmaceutical companies money: HHS estimated this rule would save drug companies anywhere from $17 to nearly $40 billion over its first ten years.