COALITION FOR AFFORDABLE PRESCRIPTION DRUGS

# PBMs and Rebates: Get the Facts

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

## GAO: PBMs SHARE PART D REBATES, CREATE SAVINGS

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.
- Fees paid to PBMs from pharmacy price concessions and bonuses remained stable. Service fees drug companies pay to PBMs remain a very small part of Part D spending (0.4%).
- Contrary to claims 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.

## HHS OIG: REBATES REDUCED DRUG SPENDING GROWTH

The HHS OIG also released a report finding that rebates "**substantially reduced" spending growth on brand-name drugs** in Part D from 2011 to 2015.

The HHS OIG found:

- No consistent relationship between rising reimbursement for drugs in Part D and rising rebate volume.
- While spending growth on the 45% of brand drugs with rebates was limited to 4%, drugs without rebates in Part D saw spending increases of 19%.

## PHARMA'S PRICE INCREASES COST BILLIONS

A report by the Institute for Clinical and Economic Review (ICER) examined unsupported price increases on the highest-revenue prescription drugs in the U.S. The report identified seven drugs with no new significant clinical evidence to support their price increases that **cost patients and American health care purchasers $5.1 billion in two years**.

- The seven top drugs include top-selling prescription drugs such as AbbVie's Humira, Genentech's Rituxan, and Amgen's Neulasta.
- Humira's price increases accounted for the greatest single impact on spending, with an increase of 15.9% over the two year period—accounting for $1.86 billion in higher costs.
- Because of AbbVie's patent thicket around Humira, Americans will not benefit from competition to Humira until 2023, even though competition is already available in Europe.