

Memo

To: CAPD
From: Stratalys Research
Subject: Employer Survey Key Findings
Date: October 5, 2023

CAPD commissioned Stratalys Research to conduct a survey among US Employers to understand their attitudes towards and experiences with offering prescription drug coverage to employees. This survey was conducted from August 29th to September 14th, 2023, among 706 US employers with 50 or more employees who offer prescription drug benefits to employees. Business Owners and Director or higher Human Resources and Operations professionals with purview over employee health benefits plan design were interviewed to represent the views and practices of their organization. The sample was drawn from Dynata's B2B panel. The final data were weighted to the latest Census data on firm size using the U.S. Census' 2020 Statistics of U.S. Businesses (SUSB).

The margin of sampling error for the full sample of 706 firms is plus or minus 3.7 percentage points. The margin of error for the 200 firms that contract directly with PBMs is 6.9 percentage points, and the margin of error for the 280 firms that report receiving manufacturer rebates is 5.9 percentage points. The margin of error for the 404 firms with 500 or more employees is 4.9 percentage points.

KEY FINDINGS

Employers value PBMs and say flexibility and a range of choices in drug benefit design is essential to their business.

- Nine in 10 (89%) employers say Pharmacy Benefit Companies (PBMs) are valuable in helping their organization offer affordable benefits to employees.
 - PBMs are most critical to the nation's larger employers. Ninety-six percent (96%) of companies with 500 or more employees say they value PBMs work in helping them offer affordable benefits.
 - The majority of large employers (66%) say PBMs are "very" valuable in helping their organization offer affordable benefits to employees.
- Nearly all (93%) say it is essential to have flexibility and a range of choices in what and how they offer prescription drug benefits to employees.
- More specifically, 86% of employers say it is important to have a range of options in how they pay PBMs for their services and expertise. The same number (86%) say it is important to have flexibility in how their organization manages the financial risk related to prescription drug spending.

Those who contract directly with a PBM are satisfied with their current PBM and say their PBM contract is transparent.

- Nearly all (97%) of those who contract directly with a PBM (as opposed to those who are fully insured and have their prescription drug benefit folded into their medical benefits) say they are satisfied with their current PBM.
- Nine in 10 (89%) of those who contract directly with a PBM describe their contract as transparent, with 43% describing their contract as “very transparent.”

The vast majority of those who contract directly with their PBM say PBMs do a good job at helping their organization manage risk, predict spending, and negotiating cost savings on their behalf.

- Nearly all employers that contract directly with a PBM (95%) believe PBMs do a good job of providing expertise on pharmacy benefit design.
- Nine in 10 employers with direct PBM contracts (90%) say PBMs do a good job helping them manage risk and predict drug benefit spend.
- Roughly nine in 10 employers with direct PBM contracts say PBMs do a good job negotiating cost savings in the form of manufacturer rebates (93%) and say PBMs do a good job negotiating price concessions from pharmacies and establishing pharmacy networks (88%).

Detailed Findings – Employers’ Views on Current Incentive-Based Rebate Models

Rebates are essential for the nation’s employers.

- Among those who receive rebates, 9 in 10 (91%) say it is important to have flexibility and choice in how their organization uses rebate dollars.

Employers use rebates to directly benefit employees, or to ease the organization’s financial burden of offering prescription drug benefits to employees.

- When asked how their organization uses the rebates passed back from their PBM last year, 90% percent say they used the rebates to the direct benefit of employees. More specifically:
 - 53% used rebates to lower what employees pay for benefits.
 - 52% used benefits to enhance drug benefits or overall health insurance coverage.
 - 44% used rebates to enhance health and wellness offerings.
- Half of employers who receive rebates (50%) use rebates to reduce the organization’s cost burden of offering drug benefits and/or health insurance.
- Only a minority (12%) say they use a portion of the rebates to fund other business priorities outside of health insurance or health and wellness benefits.

Rebates are fundamental to lowering healthcare costs for employees and employers.

- Eighty-five percent of those who receive rebates say rebates contribute to lower health care costs for employees with 46% saying rebates contribute a “great deal” to lowering employees healthcare costs.
- Eighty-six percent of those who receive rebates say rebates make it more affordable for the organization to offer benefits to employees with 48% saying rebates contribute a “great deal” to making it affordable to the organization.
- Eighty percent say rebates enhance their organization’s ability to offer comprehensive health care or drug benefits to employees with 46% saying it contributes a “great deal”.

The end of rebates would hinder employers’ ability to offer prescription drug benefits to employees.

- Eight in 10 employers (81%) say that if their organization was no longer able to receive prescription drug rebates it would hinder their company’s ability to offer prescription drug benefits to employees. Thirty-seven percent say it would hinder their organization “a great deal”.

Detailed Findings – Employers’ Views of Current PBM Transparency

- Nine in 10 of those who contract directly with a PBM (89%) describe their contract as transparent, with 43% describing their contract as “very transparent”.
- Nearly all of those who contract directly with their PBM (92%) agree their organization receives adequate data on the performance of their prescription drug benefit programs to allow them to assess if the benefit is being managed in a cost-effective manner for the organization and their employees.
- Most employers (88%) are aware that they can require specific reporting and data sharing requirements beyond what is required by law.

Detailed Findings – Employers’ Views on Managing Financial Risk Associated with Offering Prescription Drug Coverage

- Risk mitigation is key to the value PBMs provide employers. Nearly all organizations that contract directly with a PBM (97%) say the ability to manage risk and to better predict the organization's prescription drug benefit costs is an important quality when choosing which PBM to contract with.
- More than eight in 10 employers (86%) say it is important to have flexibility in how their organization manages the financial risk related to prescription drug spending. The same number (86%) say it is important to have a range of options for how their organization pays PBMs for their services and expertise.
 - This is particularly important to large organizations. Roughly 9 in 10 organizations with 500 or more employees (91%) say it is important to have

flexibility in how their organization manages the financial risk related to drug coverage with 51% saying it is “very” important.

- Likewise, 92% larger employers say it is important to have a range of options for how their organization pays PBMs for their services and expertise with 48% saying this is “very” important.
- Moreover, most are pleased with their PBM’s performance. A full 90% of employers that contact directly with a PBM say their PBM does a good job helping their organizations manage risk and predict the organization's prescription drug benefit.