Opinion: We are looking at PBMs in NH. Congress should too.

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Published: 07-03-2024 6:00 AM

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- nashua nh

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If you have private health insurance and have ever filled a prescription, there is a good chance you have felt the impact of a Pharmacy Benefit Manager (PBM). PBMs decide everything from what drugs your insurance covers to how much you will pay at the pharmacy counter to where you can fill your prescriptions.

As a member of the New Hampshire State Senate, my colleagues and I are looking at the challenges involved in controlling health care costs. And an important step we can take to do that is to focus on the cost of prescription drugs.

There are a number of reasons why the cost of prescription drugs is so high, but PBMs play an important role.

PBMs have existed for decades. They started as administrative businesses that helped insurers, pharmacies, and employers process drug claims. Today, the biggest PBMs look very different than the PBMs of the past, and there is reason to believe they are driving up their own profits at patients' expense.

These days, the industry is dominated by titans. In the commercial market, just three PBMs handle nearly 80 percent of drug claims. These three PBMs are part of mega-healthcare companies.

With a new business model, PBMs are driving tremendous profits for their corporate parents. The big three PBMs' combined profits more than quadrupled in 10 years, increasing from $6.3 billion in 2012 to $27.6 billion in 2022.

The big PBMs like to say they lower prescription drug costs, but they often neglect to say whose costs they lower. Evidence suggests that the large PBMs are delivering savings for insurance companies, rather than the consumer.

How do we know this? First, patient out-of-pocket expenses for some brand-name drugs continue to rise at a rate faster than the prices PBMs pay for the medicines. Why? In New Hampshire, we are working to find out. How the large PBMs operate points to some answers.

PBMs receive various rebates, refunds and discounts from drug manufacturers in exchange for their insurance counterparts covering the products. These rebates, refunds, and discounts mean PBMs and their related insurers do not pay full price for many brand-named medicines.

We would expect that PBMs would share these discounts they receive with the consumer. That expectation is wrong: PBMs and their related insurers charge consumers co-pays and deductibles based on the full price of a prescription, not the discount the PBM and insurer pay.

Second, PBMs have developed a fee structure that artificially elevates the price of prescriptions and makes lower-cost alternatives unobtainable through insurance coverage. The big PBMs charge drug companies fees for administration and other services. These fees are typically tied to the list price of a prescription. In other words, the more a drug costs, the more fees a PBM and their company collect.

Many experts believe that the PBM fee system has led insurers to steer consumers to high-priced prescriptions that pay more fees to the PBMs, even when offering lower-cost alternatives would save patients money.

Looking at the health care system as a whole, PBMs' percentage of prescription drug spending is growing. The prices PBMs are paying for drugs are staying relatively flat, but the percentage they and entities other than the manufacturers are earning has reached 50%. That's up from 33% in 2013.

Patients are seeing higher prices because PBMs are raising them to collect higher rebates and discounts that they then don't pass down. One drug manufacturer, Novo Nordisk, told the United States Senate this summer that 75 cents of every dollar of the list price of its medicines goes to PBMs and others in the supply chain.

Prescription drug costs are high, and one reason is that PBMs are taking a lion's share. There are steps we can take to increase drug affordability. In New Hampshire, PBMs and their impact on drug costs have caught our attention.

I am proud to have co-sponsored a bill to study how PBMs drive up costs and impact care, and Congress also has an opportunity to take action. In the fight for lower drug prices, we have to look at every part of the prescription drug supply chain.