# Understanding Pharmacy Benefit Managers & Prescription Drug Affordability

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# PBM Overview: Role, Functions, Impact & Value

**Functions of a PBM**

Hired by employers, unions, government programs, and insurers to administer drug benefits.

Negotiate rebates and discounts on brand drugs

Contract with retail, mail-order, and specialty pharmacies

Process and adjudicate prescription claims

Formulary management, prior auth, step therapy, patient safety

**By the Numbers**

55.2M prescriptions administered annually in MN

90%+ of Rx dispensed are generics

$10 saved for every $1 spent; $145B total value

$1,154 average savings per person per year

**Value for Patients**

Prevent harmful drug interactions and medication errors

Home delivery, specialty pharmacy coordination

Programs for patients facing high cost-sharing

**Value for Plan Sponsors**

Negotiate rebates and discounts to lower costs

Flexible benefit design; regular audits and reporting

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# The Landscape: The Rising Cost of Prescription Drugs

National health spending projected to grow 5.4% per year

Median list price for new brand drugs: $2,000 in 2008 vs. $180,000 in 2021

Specialty drug are now 54% of total drug spending

New brand name drug prices increased 20% year-over-year

In 2020, a study found 45% of MN residents worry about Rx costs and 1 in 5 has rationed medicine

**States are seeking new tools to address these affordability challenges**

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# Specialty Pharmacies Drive Better Patient Outcomes

## High-Touch Engagement

24/7 access to a specialized health care provider

Physician consultation

In-depth patient education

Proactive outreach for refills and care

## Financial Assistance *(aka Benefits Verification)*

- Medical and Prescription benefit navigation
- Prior authorization assistance
- Plan optimization
- Patient financial assistance programs

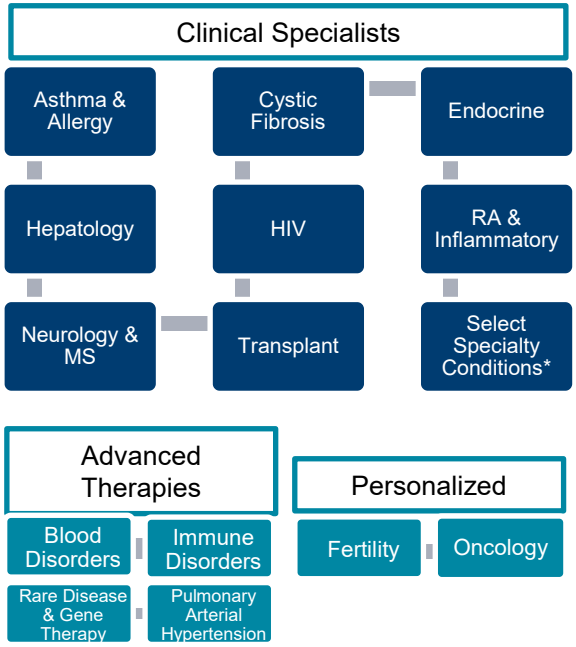
## Medication Management

- Staying on the drug (adherence)
- Supply chain management
- Coordinating administration services
- Monitoring safety and efficacy

## Care Coordination

- Care coordination with entire health care team
- Medical & pharmacy benefits claims data
- Quality control measures
- Payer and/or manufacturer reporting
- Improved health outcomes

# Specialized Teams to Advance Care




## Specialty Pharmacy Team Examples

### Rheumatoid Arthritis and Inflammatory

Features:

- Activities of daily living screenings
- Easy-open bottle caps
- Clinical contact for individuals with gaps in care
- Employed in-home nursing model

### Neurology & MS

Features:

- Adherence support
- Depression screening and physician notification
- Engagement with social worker
- Example Drug: Copaxone

# The Landscape: PBM Reform with CAA

| | |
|---|---|
| **100% Rebate Pass-Through** | PBMs must pass through all rebates and discounts from manufacturers |
| **Maximum Transparency** | Drug-by-drug, claim-by-claim reporting to employers, unions, and government |
| **Medicare Delinking** | PBM compensation in Medicare must be flat fees at fair market value |

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# Prescription Drug Affordability Boards

- **MN Board authority includes:**
  - Initiate cost reviews of prescription drugs identified by the board
  - Determine if drugs create affordability challenges for the state
  - Set UPLs on unaffordable drugs; may tie to Medicare Maximum Fair Price
- **States with UPL authority (5):**
  - Colorado, Maryland, Minnesota, Oregon, Washington
- **States with study/recommendation authority (5):**
  - Maine, New Jersey, Vermont, New Hampshire (dissolved 2025), Ohio (inactive)
- **Key finding:** No evidence of savings yet. No state has fully implemented an UPL to date.

# How MN's PDAB Can Lower Drug Costs

- **Cost and Access Review Process**
  - Review drug pricing data: wholesale and pharmacy pricing, supply chain rebates, therapeutic alternatives
  - Review patient access, impacts of manufacturer-provided coupons, and pharmacy workforce and closures
- **Setting Upper Payment Limits (UPL)**
  - If a drug is found unaffordable, the board sets a UPL considering supply costs, U.S. pricing, and may consider Canadian pricing
  - UPL applies to all purchases and reimbursements in Minnesota

# Understanding Upper Payment Limits

## What is a UPL and how can it help MN patients?

A cap on the maximum amount purchasers or payers can pay for a drug

Does not control what manufacturers charge — only what payers reimburse

MN: May tie UPL to Medicare Maximum Fair Price (IRA-negotiated price)

## Current UPL Status Across States

No state has fully implemented a UPL as of 2025

Colorado is furthest along — first state in UPL rulemaking (Enbrel)

Maryland approved its UPL Action Plan and is studying Ozempic for a potential UPL

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# Key Takeaways

- PBMs play a critical role managing Rx benefits for 289+ million Americans, saving an average of $1,154 per person per year
- Federal PBM reform in 2026 mandates full rebate pass-through, delinking, and maximum transparency
- 12 states have established PDABs; 5 have UPL authority, but none have fully implemented a UPL yet
- MN's PDAB has broad authority to review costs and set UPLs, uniquely tied to Medicare Maximum Fair Price
- Competition remains the most effective tool for lowering drug costs — where generics exist, prices drop up to 95%
- We are available as a resource.