

# The PBM Market in the US

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Kevin A. Schulman, MD, MBA

Professor of Medicine

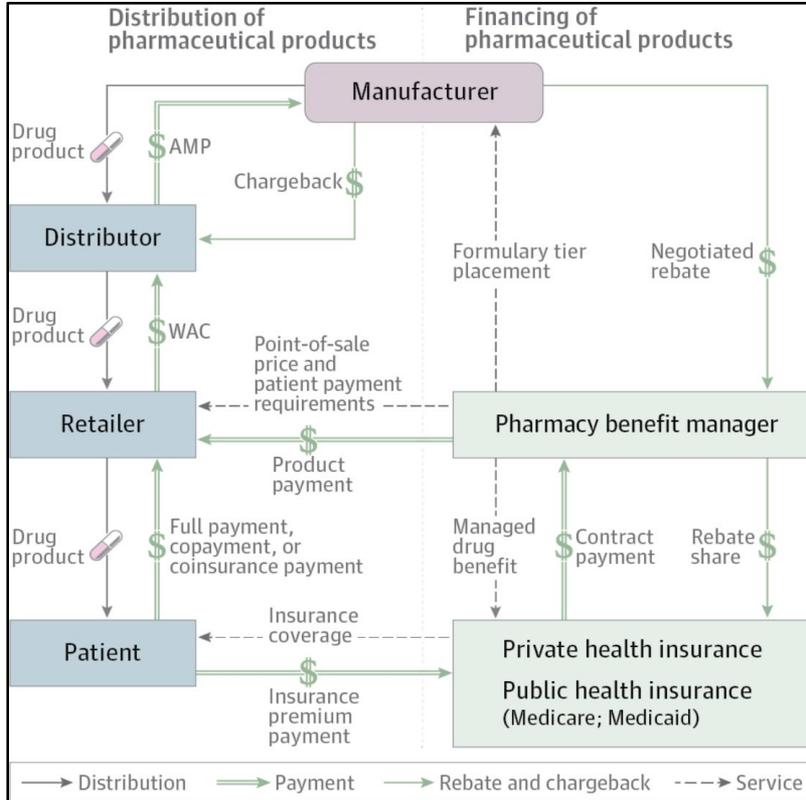
Clinical Excellence Research Center

Department of Medicine

Professor of Economics, Graduate School of Business

Stanford University

# Financing and Distribution of Pharmaceuticals

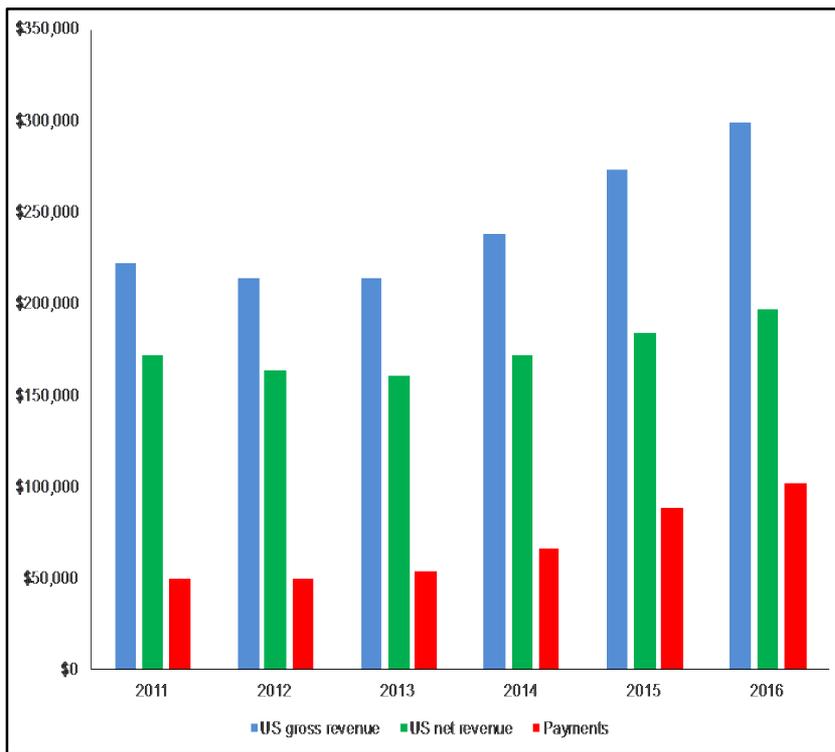


Flow of Pharmaceutical Funds, Products, and Services Adapted from a figure by the Congressional Budget Office. Services represent contractual relationships between entities. Rebates are payments from manufacturers to pharmaceutical benefit managers. Chargebacks are payments from manufacturers to distributors. Retailers include pharmacies, hospitals, group purchasing organizations, and mail-order programs. AMP indicates average manufacturer price; WAC, wholesale acquisition cost.

# Definitions

- Rebate
  - Manufacturer payment based on volume of product
- Chargeback
  - Manufacturer payment based on discounts offered to purchasers
- Clawback
  - PBM charge to pharmacy for excess cost-sharing payments
- Direct and Indirect Remuneration (DIR)
  - Monies collected by a PBM to offset drug costs
- Rebate Trap
  - Rebate on originator molecule in the face of biosimilars

# Pharmaceutical Manufacturer Payments



Overall, we find that net revenues for our sample of firms grew by an average of 2.7% annually between 2011 and 2016, while rebates and other payments increased by 15% annually over the same period.

# Pharmaceutical Manufacturers

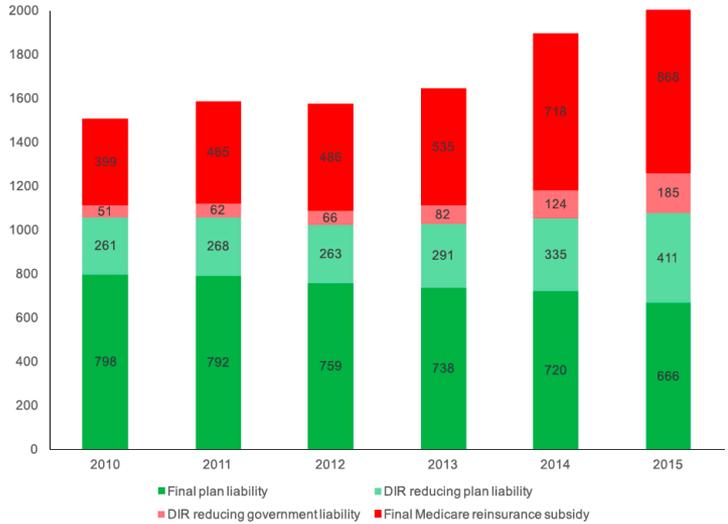
**Table II.** AstraZeneca Gross to Net Product Sales in the U.S. Market

	2016 (\$ Millions)	2015 (\$ Millions)	2014 (\$ Millions)
<b>Gross Product Sales</b>	<b>19,640</b>	<b>23,641</b>	<b>23,414</b>
Chargebacks	(3449)	(2985)	(2794)
Regulatory-Medicaid and State programs	(1903)	(1714)	(1389)
Contractual-managed care and Medicare	(5219)	(7543)	(7730)
Cash and other discounts	(358)	(472)	(436)
Customer returns	(130)	(333)	(295)
US branded pharmaceutical fee	(145)	(174)	(113)
Other	(1071)	(946)	(537)
<b>Net Product Sales</b>	<b>7,365</b>	<b>9,474</b>	<b>10,120</b>

Source: Astra-Zeneca Annual Report 2016<sup>40</sup>

# Part D

Figure 5



Final Annual Medicare Reinsurance and Plan Liability per Beneficiary Source: Adapted from the U.S. Centers for Medicare & Medicaid Services.<sup>16</sup>

The net impact of this model has been an average increase in total drug costs per beneficiary of 41.2% since 2010, from \$1509 to \$2130. At the same time, the annual Part D plan liability for sponsors has decreased almost 5% annually, whereas the Medicare reinsurance payment has increased 17% annually.

# Headlines

BUSINESS | EARNINGS

## Generic-Drug Trends Squeeze Walgreens Profit

Pharmacy chain lowers 2019 profit goal; shares fall 13%

“In its pharmacy-benefits business, CVS said it was experiencing a squeeze related to the rebates that it receives from drug makers and passes on to clients...It has guaranteed clients that it will provide them certain rebate payments, but at the same time CVS is seeing slower growth than it had expected in the list prices of branded drugs.”

# PBM Profits

“Although there is little transparency on rebates and chargebacks in the financial statements, we know that profits for the firms that own PBMs and distributors increased between 2011 and 2016: from \$9.9 billion to \$15.7 billion for PBMs and from \$3.0 billion to \$5.2 billion for distributors. In 2016, Express Scripts, the major public standalone PBM, reported net income of \$3.4 billion, more than health insurers Anthem (\$2.5 billion), Aetna (\$2.3 billion), Cigna (\$1.9 billion), and Humana (\$1.2 billion).”