

Time to scrutinize PBMs' outsized role in Rx decision-making

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The increasingly powerful role that pharmacy benefit managers play in the prices and availability of prescription drugs is one that merits careful scrutiny from regulators, says an AMA Council on Medical Service report whose recommendations were adopted at the 2019 AMA Annual Meeting in Chicago.

“It’s time to pull back the curtain on pharmacy benefit managers and how their practices negatively impact patients. How is it that PBMs and health plans profit from negotiated discounts on prescription drugs, while patients pay co-pays based on high drug list prices that even the plans themselves are not paying?” said Russell Kridel, MD, a member of the AMA Board of Trustees. “Because of market concentration and lack of transparency, patients and physicians are essentially powerless in the face of PBM pricing and coverage decisions.”

The AMA’s TruthinRx campaign seeks to expose the role PBMs play in drug pricing, along with pharmaceutical companies and insurers.

The comprehensive council report says that “PBMs no longer simply negotiate drug prices on behalf of their clients, but rather fully administer the drug benefit creating formularies, making coverage decisions and determining medical necessity with utilization management tools.”

PBMs’ role in “managing drug benefits now resembles the typical role of insurers, and they should be treated as such by regulators,” the report adds.

Given that new reality and in line with the AMA’s long-standing support for transparency in drug pricing, delegates adopted new policy to support:

- The active regulation of PBMs under state departments of insurance.
- Requiring the application of manufacturer rebates and pharmacy price concessions, including direct and indirect remuneration (DIR) fees, to drug prices at the point of sale.
- Efforts to ensure that PBMs are subject to state and federal laws that prevent discrimination against patients, including those related to discriminatory benefit design and mental health

and substance-use disorder parity.

- Increased transparency in how DIR fees are determined and calculated.

The AMA's policy supports improved transparency on PBM transparency operations, including disclosure of information on:

- Utilization, rebates and discounts, and financial incentives.
- Pharmacy and therapeutics (P&T) committee information, including records describing why a medication is chosen for or removed in the P&T committee's formulary, whether P&T committee members have a financial or other conflict of interest, and decisions related to tiering, prior authorization and step therapy
- Formularies, specifically whether certain drugs are preferred over others and patient cost-sharing responsibilities, made available to patients and to prescribers at the point-of-care in electronic health records.
- Methodology and sources utilized to determine drug classification and multiple source generic pricing.
- The percentage of sole source contracts awarded annually.

The AMA also will “develop model state legislation addressing the state regulation of PBMs, which shall include provisions to maximize the number of PBMs under state regulatory oversight.”