

# How the 10 largest PBMs hold huge sway in health care marketplace

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**What's the news:** The AMA has gathered first-of-its-kind data on pharmacy benefit managers (PBMs) and its analysis finds a widespread high degree of market concentration in local markets across the U.S. where PBMs provide services to commercial health insurers.

Based on 2020 data for people with a commercial drug benefit tied to a medical benefit and the PBMs used by insurers, the AMA's competition analysis presents national and local market insight on five different PBM services performed for insurers:

- Rebate negotiation.
- Retail network management.
- Claim adjudication.
- Formulary management.
- Benefit design.

The AMA Policy Research Perspectives report—"Competition in Commercial PBM Markets and Vertical Integration of Health Insurers with PBMs" (PDF)—presents the two largest PBM market shares and concentration levels for all states and metropolitan areas.

The analysis found that 37% of the national markets for two services—formulary management and benefit design—were managed in-house by health insurers rather than buying those services from the PBM market.

Commercial insurers largely use a PBM for three services—rebate negotiation, retail network management and claims adjudication—rather than conducting them in-house, which is why the report assesses market competition for those three PBM services.

At the national level, the analysis found that a handful of PBMs have a large collective market share for the three PBM services most used by insurers:

- The 10 largest PBMs had a collective share of 97%.
- The four largest PBMs had a collective share of roughly 66%.
- Six PBMs are used exclusively by one insurer or a set of Blue Cross Blue Shield affiliates.

At both the state and metropolitan levels, the AMA report found a high degree of market concentration for each the three PBM services assessed by the study, concluding that about 78% of states and 85% of metropolitan areas had highly concentrated PBM markets.

Learn about AMA policy calling for greater scrutiny of PBMs' outsized role in prescription drug decision-making.

**Why it's important:** The AMA “already has serious concerns about PBM business practices that can have a detrimental impact on patients’ access to—and cost of—prescription drugs,” said AMA President Jack Resneck Jr., MD.

“PBM markets require careful scrutiny as less competition and more vertical integration can embolden anti-competitive business practices to the detriment of patients,” added Dr. Resneck. “The novel data presented by the AMA analysis is intended to help regulators, lawmakers, researchers and policymakers better evaluate merger proposals in the future that may harm patients by raising prices, lowering quality, reducing choice and stifling innovation.”

In April, AMA Executive Vice President and CEO James L. Madara, MD, responded to the Federal Trade Commission’s request for public comment on PBM business practices.

Dr. Madara and the AMA recommended improved transparency, writing that PBMs should disclose information (PDF) on:

- Utilization, rebates and discounts, and financial incentives.
- Pharmacy and therapeutics (P&T) committees’ work and why a medication is chosen for—or removed—from 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 that is made available to patients and prescribers at the point-of-care in EHRs.
- Methodology and sources used to determine drug classification and multiple-source generic pricing.
- The percentage of sole-source contracts awarded annually.
- Utilization-management programs, including disclosure of approval, denial and appeal rates, and average processing time for prior-authorization and step-therapy override requests.



**Learn more:** The AMA report on competition in commercial PBM markets adds to the AMA's efforts to shine a light on market consolidation in the health insurance industry.

Protecting patients and physicians from anti-competitive harm will continue to be a vital issue of public policy for the AMA, the Federation of Medicine and the nation's physicians. Find out more about the AMA's work on competition in health care.