

IMPLICATIONS FOR PBMS & HEALTH PLANS: ALL GOOD INTENTION

- **Lower out of pocket costs for patients, especially those most in need of insurance**
- **Reduce shell game pricing and margin strategies by PBMs**
- **Limit incentives for drug makers to raise list prices**
- **We built Abarca on these principles and support these goals.**

BRACING FOR IMPACT: UNINTENDED CONSEQUENCES?

Disruption in the marketplace

- The proposal changes the flow of money between pharma, pharmacies, wholesalers, PBMs, plans & patients and it may take time to sort out the process, contracts, insurance benefit designs and systems involved
- Given the short timing of the proposed rule and the uncertainty of whether and when it will apply to the commercial market, there is an opportunity for pharma to take advantage of the short term dislocation to raise net drug prices (thankfully, so far it seems this is NOT the case)
- Many PBMs make significant margins by retaining rebates and administrative fees paid by pharma as a % of the drug's list price
- Payers will now know exactly how much their PBMs were making off of them and will renegotiate contracts – some payers will not be willing to pay the same amounts that PBMs were making and many spread based PBMs will see their margins decline significantly as the fixed amounts paid under the new safe harbor will not cover the margin

Transparency is the new normal - is everyone ready to pay their fair share?

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WHY WE NEED TO GET THIS RIGHT

- As copays/cost sharing (especially Medicare/ Medicaid) are already low for most covered consumers in Puerto Rico, the actual benefits could be focused on a small number of patients who are already getting support from pharma support/assistance programs
- The hidden cost could be increased premiums or less attractive insurance offerings for everyone else – could this be a good thing?
- Though the administration's proposal is for Part D & Medicaid, commercial plans will likely follow soon thereafter.
- We should not need Washington D.C. to intervene in order for drug pricing to be efficient – this is the PBM/insurance industry's last chance to do right by consumers before a much more radical solution comes out of Government

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A BETTER WAY.

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