

Lower Out-of-Pocket Costs for Patients Begins with Pharmacy Benefit Managers (PBMs) Transparency

Affordable access to prescription drug prices continues to be a top issue for consumers and policymakers. The roles of drug manufacturers and pharmacy benefit managers (PBMs) have come under scrutiny, but a lack of transparency in the system makes it difficult to identify the factors driving price increases. However, recent [studies](#) have shown a direct relationship between rising drug list prices and the increased use of rebates.

Rebates are paid by a drug manufacturer to a PBM to be included on the formulary or list of covered drugs. Rebates have increased considerably over the past decade, reducing drug costs for insurers but have led to increases in list prices and *out-of-pocket (OOP) costs for patients*.

List prices, set by drug manufacturers, don't reflect rebates paid and discounts given to the PBM. However, patient OOP costs are typically based on list price, not the actual lower net price the manufacturer ultimately receives. This difference is known as the spread and it is a secret. So no one knows the full extent of the practice nor how much it costs the health system in unrealized savings. However, we do know that system distorts patient access by favoring large rebate-high list price products rather than those based on their clinical value to people with diabetes which directly impact the uninsured and insured patients whose copays and deductibles are based on the drugs' list price.

This system can be especially burdensome for people with chronic conditions such as diabetes, obesity, stroke, cardiovascular disease, or cancer. Evidence suggests that racial and ethnic minorities who have one or two chronic conditions pay double the out-of-pocket costs.

DLC strongly supports requiring transparency into PBM and health plan transactions and recently replied to the Federal Trade Commission (FTC) request for public [comment](#) on the business practices of PBMs and their harmful impact on consumers. However, reporting requirements must amount to more than administrative exercises. Data collection only helps if the government asks the right questions of the right players, and then acts on what is learned in the process.

While vertical integration among health insurers, PBMs, pharmacies, and providers has largely gone unchecked by federal authorities, some states have recognized the inherent problems and stepped in to improve transparency and integrity across the entire supply chain.

States are making important strides in this regard, but a national effort will advance transparency faster and more effectively. National-level reporting on prescription drug rebates and discounts are a necessary first step.

Once the nature and extent of these pay-to-play transactions are understood, Congress will need to act further to confront the entirety of perverse financial incentives in the current system to reduce and eventually eliminate the spread between net and list prices for prescription drugs to



and secure net-based, affordable drug costs for all patients and payers. Cost shifting and list price exposure currently leave thousands of uninsured and underinsured American families struggling with high out-of-pocket costs for diabetes medicines.

Federal-level rebate reform will help accelerate the nation's efforts to reduce diabetes-related financial toxicity and distress for 37 million Americans who manage this complex and costly condition every day, along with millions more who manage chronic conditions like arthritis, multiple sclerosis or cancer.

About the Diabetes Leadership Council (DLC) DLC is a 501(c)(3) patient advocacy organization comprised of individuals who combine their passion for advocacy with decades of diabetes experience and leadership to advance patients-first policies at the local, state and national levels. We are people with diabetes, parents of children with diabetes, allies and tireless volunteers dedicated to improving the lives of all people impacted by this condition. Our members – all former leaders of national diabetes organizations – engage policymakers, and public and private sector influencers to call attention to the diabetes epidemic and provide a voice for 37 million Americans living with diabetes.

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