

## **The Importance of Honest and Transparent Pricing**

### **Introduction**

Pharmacy benefit managers (PBMs) are middlemen that design, negotiate, and manage prescription drug benefits for a variety of health plans, including large organizations such as employers, unions, insurance plans, and the government. Collectively, PBMs have the ability to determine the details of prescription drug benefits available to patients through their plans. PBMs develop formularies (i.e., lists of covered and preferred drug products), negotiate discounts and rebates with pharmaceutical manufacturers and establish plan networks that mandate how, when, and where patients fill their prescriptions.

PBMs reimburse pharmacies based on a number of methodologies, including maximum allowable cost (MAC) lists. The MAC list establishes the amount the pharmacy will be reimbursed for a particular generic. Often, pharmacies are unaware of the methodology used in the development of the MAC list or the determinations and calculations that go into updating the MAC list. It is even unclear as to the frequency at which MAC lists will be updated. This lack of transparency makes it hard for pharmacies to predict how much they may be reimbursed for a particular drug at any given time.

### **Honest and Transparent Pricing**

Many PBMs use their incredible market power and leverage to dictate contract terms to pharmacies. PBMs require pharmacies to sign one-sided, take-it-or-leave-it contracts to participate in PBMs' networks. Often, these contracts allow PBMs to make unilateral contract modifications, including unpredictable changes to MAC lists. Pharmacies have no choice but to dispense drugs at a financial loss or lose access to many longtime patients. In most cases, PBMs do not state clearly in their contracts the terms of pharmacy reimbursement.

NACDS supports legislation and regulation that would increase reimbursement transparency by requiring PBMs include contract pricing terms which are clear, objective, predictable, and consistent with both marketing and pricing practices, including:

- How PBMs determine the methodology and parameters for pharmacy reimbursement, including the methodology for how PBMs calculate MACs
- The frequency and notification of price updates
- A commitment to deliver a predictable, particular average reimbursement rate for generics
- Requiring greater transparency in prescription drug pricing also allows pharmacies to contest pricing decisions with which they disagree.

### **Conclusion**

NACDS supports reining in questionable PBM activities through legislation requiring more transparent and upfront pricing when it comes to generic drugs. PBM manipulation of prescription drug pricing is just one of the many objectionable PBM activities.