



The payer contracts with the PBM to manage their pharmacy services and prescriptions.

The PBM in turn contracts with a network of pharmacies to provide those services.

Payers include: corporations, unions, insurers, trusts, and self-insurers

The PBM charges the payer either: on a per member/ per month basis; or bills the payer as services are provided.

PBM's contract with pharmacies to provide products and services via "take it or leave it" contracts. In other words if you don't like the terms of the contract don't sign on to be a part of the network with the understanding that by not signing it could negatively impact other contracts with other employers with the same PBM.

For the sake of explaining what is happening currently, a PBM in this example charges the Payer \$100 for a prescription an enrollee received at a local pharmacy. The PBM then pays the Pharmacy \$50 for that same prescription. However, the cost of the drug was \$60, leaving the pharmacy to pay out of their own pocket the additional \$10. The remaining \$50 stays with the PBM as their profit. (This is known as the spread).

Although current WA law requires the PBM's to publish the price of the drug, there is a loop hole that does not require them to **PAY** the cost of the drug to the pharmacist. There is an appeals process in current law. Actual practice has shown, if successful, the pharmacist is getting an additional \$ 1-\$2, not the full \$10 as would be expected.

5ESSB 5857 would provide a mechanism by which pharmacists could appeal and potentially be paid for the actual cost of the drug.

PBM's are intimating that this would be an increase in costs to the Payers, when in fact the Payer has paid more for the actual cost of the drug to begin with. The actual effect would be a lowering of PBM's profit margin.

No one disputes that businesses exist to make money. But that goes for pharmacies too, many of which are independently owned. This negative practice also impacts the bottom line of chain pharmacies.

Rather than condemn pharmacies for trying to maintain their 2-3% net profit margin, perhaps more transparency between the Payer and PBM would be in order.