Pharmacy Benefit Managers: Fact Sheet

When the pharmacy submits an electronic claim on your behalf, they don't send the claim directly to your insurer. They send it to a Pharmacy Benefit Manager (PBM) who then reimburses the pharmacy for the cost of the drug and the dispensing fee. The pharmacy assumes all costs for the drug and their services until they are reimbursed by the PBM, sometimes up to a month later.

What are Pharmacy Benefit Managers (PBMs)?

- PBMs are contracted by insurance companies to process the payment of prescription drug claims. They serve as an intermediary between the pharmacy and the drug insurance plan.
- Express Scripts Canada (ESC) and Telus Health are the two largest PBMs in Canada. It is estimated that 80% of all private drug claims go through ESC and TELUS Health on behalf of companies like Sun Life, Canada Life and Manulife. Other PBMs include Canada Life's ClaimSecure, Green Shield Canada's HBM+ and Blue Cross Canada's PBM.
- PBMs were created to reduce the administrative and financial costs associated with paper claims submitted by patients or pharmacies, as well as reduce immediate out-of-pocket costs for patients. Today, almost 100% of drug claims are submitted electronically by pharmacies—a service that pharmacies provide free of charge.
- To submit electronic claims, pharmacies must sign agreements with each PBM. The PBM controls if, when and how much pharmacies are paid.

Relationship to patients

- PBMs are not typically visible to patients, but they play a significant role in the administration of their drug plan, including determining eligibility for specific medications based on the patient's health plan.
- They also play a role in managing drug formularies and they often direct pharmacists in what they can and cannot dispense to their patients.

PBM trends

- In the US, PBMs are under significant scrutiny for receiving rebates from manufacturers and artificially increasing the costs of drugs for patients. In many cases, pharmacies are now losing money on prescriptions they dispense.
- Like the US, the Canadian PBM industry is highly concentrated, with a few large PBMs controlling approximately 80% of all prescription drug claims. This concentration gives these PBMs substantial power to impose contracts and implement practices that increase revenue for themselves at the expense of pharmacies and patients.

WHAT'S AT STAKE

- Patient choice and access
- Health-care provider autonomy
- Sustainability of local pharmacies
- Fair competition

WHAT PATIENTS THINK

61% **of Canadians** believe insurance companies should not be able to charge a fee for submitting a claim on their behalf.

86% **of Canadians** think they should be able to get prescriptions filled at any licensed pharmacy regardless of their insurance provider.

Nearly 3 million Canadians have switched pharmacies because it was recommended by their insurance company.

- PBMs are increasingly establishing their own retail pharmacies. These PBMs can "steer" patients to their own pharmacies through incentives or by limiting which pharmacies patients can go to. In extreme cases, a patient might have to go out of province to get their medication.
- PBMs regularly audit pharmacies. While these audits are intended to detect fraud, PBMs claw back significant amounts of money from pharmacies for minor administrative mistakes that do not involve fraud or intentional misconduct. Concerns have been raised about potential conflicts of interest, where PBMs benefit financially from the findings of their audits. For example, PBMs might have an incentive to find faults in order to recoup payments or negotiate more favorable terms.

Why regulation is needed

- **Payer-directed care:** PBMs often have significant influence over what medications are covered and how they are dispensed, which erodes the autonomy of health-care providers and the choices available to patients. PBMs are also increasingly directing where patients can have their prescriptions filled, limiting access for patients.
- **Exploitative practices:** Because of their dominant position, PBMs can arbitrarily reduce or reject payments to pharmacies, while also being able to impose fees without notice or negotiations. This can significantly impact pharmacies' ability to serve patients.
- **Audits:** While necessary for preventing fraud, PBM audits can sometimes be excessively punitive, lacking in transparency and unfairly burdening pharmacies.

What we are advocating for

CPhA is advocating for new regulations that prioritize:

- **Patient-Centered Care:** PBM policies and practices must prioritize patient health outcomes over cost-saving measures. Medication coverage and dispensing should be based on clinical best practices and individual patient needs. PBMs should not be able to direct where a patient gets their medications. Specifically, regulations should include:
  - **Restrictions on Preferred Provider Networks (PPNs),** ensuring that PBMs cannot discriminate against any particular pharmacy or group of pharmacies, allowing for fair competition.
  - **Conflict of Interest Rules**, especially in cases where PBMs are owned by or affiliated with insurers or drug companies.
- **Transparent Audit Practices:** Establish clear, fair, and standardized guidelines for PBM audits. This will prevent practices that unfairly penalize pharmacies for minor, technical errors and ensure audits are conducted with reasonable notice and criteria. Regulations should include:
  - **Conflict of Interest Provisions:** Implement rules to prevent conflicts of interest where PBMs or their auditors might benefit from the outcomes of their own audits.
  - **Pharmacy Protection:** Create safeguards for pharmacies to prevent financially crippling audit recoupments and allow processes for fair dispute resolutions.