



Report of Pharmacy Benefit Manager Practices

January 7, 2025

Agenda

- **Study Objectives**
- **PBM Roles and Responsibilities**
- **Connecticut PBM Landscape**
- **State Policy Trends**

Study Objective

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- PA 23-171 §7 required the Office of Health Strategy (OHS) to study the role of PBMs in the Connecticut healthcare marketplace including:
 - spread pricing arrangements
 - manufacturing rebates and transparency
 - fees charged
 - formulary based financial incentives, and
 - an evaluation of prescription drug distribution practices conducted by pharmacy benefits managers in other states.
- OHS has contracted with Milliman, an independent consulting firm with experience in insurance, healthcare, and employee benefits to prepare the study.

Acknowledgement

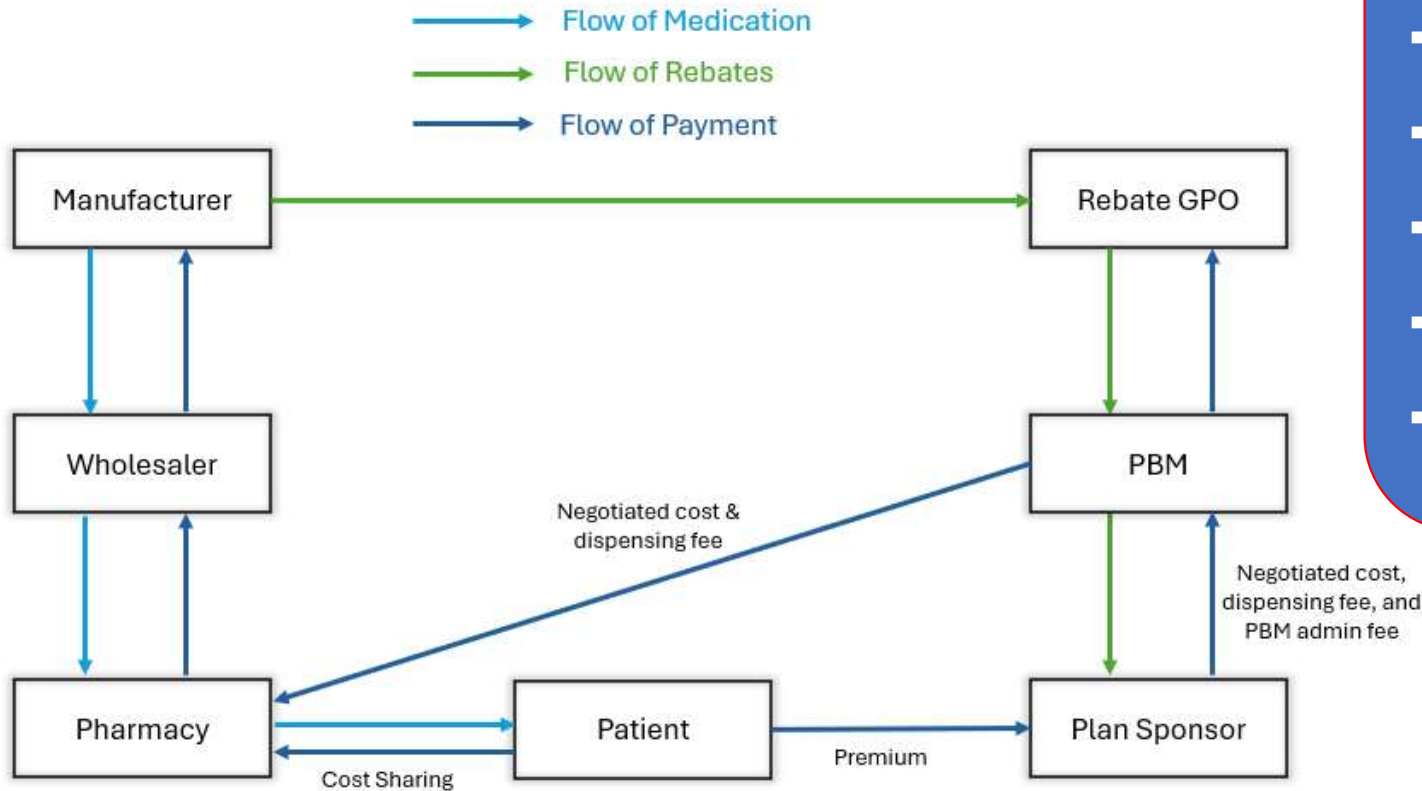
As part of this study, data were requested from several of the largest PBMs operating within the State.

Given time constraints to produce this report, along with lack of current regulatory authority to collect the additional data, the majority of PBMs were unable to negotiate data releases for this report.

A subsequent report will be published including an estimate of PBM profitability in the State based on the States All-Payer Claims Database and publicly available information.

PBM Roles and Responsibilities

PBM Roles and Responsibilities



PBM Functions Include:

- Prescription drug claims processing
- Establishing list of covered drugs (formularies)
- Negotiating rebates with drug manufacturers
- Managing pharmacy networks
- Administering cost containment strategies

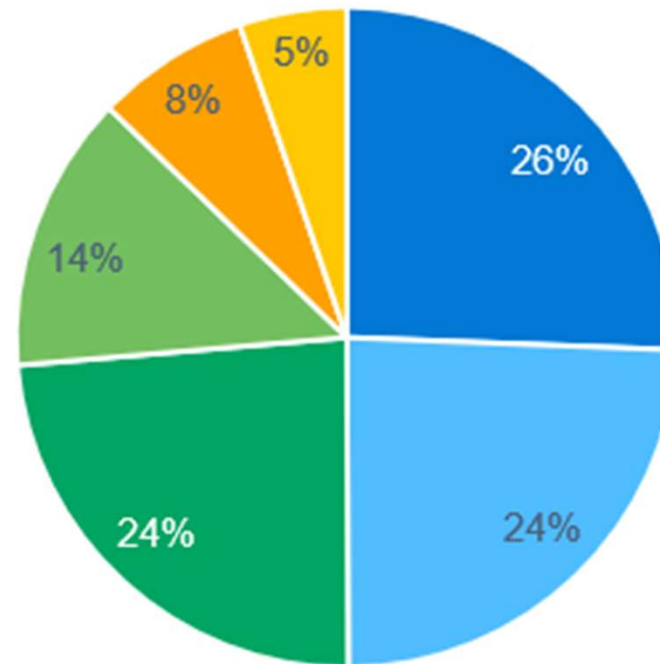
Connecticut PBM Landscape

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PBM landscape in Connecticut is shaped by four main factors:

1. Market Concentration

- The “Big 3” PBMs in Connecticut make up 64% of the market, and the top 5 cover 95% of all lives in the state.



■ Express Scripts PBM ■ Gainwell Technologies ■ CVS Caremark RX
■ OptumRx ■ CarelonRx ■ All Other PBMs

Connecticut PBM Landscape

2. Vertical Integration

Parent Company	Health Insurer	Pharmacy Benefit Manager	Group Purchasing Organization	Retail / Specialty Pharmacy	Provider / Clinical Delivery System	Drug Distributor
Cigna Group	Cigna	Express Scripts	Ascent and Econdisc	N/A / Accredo (Specialty)	Evernorth Health Services, Alegis Care, MD Live	Quallent Pharmaceuticals
CVS Health	Aetna	CVS Caremark	Zinc and Red Oak Sourcing	CVS (Retail Pharmacies) / CVS Specialty	CVS Minute Clinic, Health Hub, Oak St Health	Cordavis
UnitedHealth Group	UnitedHealthcare	Optum Rx	Emisar	N/A / Optum	Optum Care	Nuvaila

Source: Based on internal Milliman research

Connecticut PBM Landscape

3. Traditional PBM profit models are evolving

- PBMs operating in Connecticut are required to register with and provide annual aggregate rebate reports to the Connecticut Insurance Department.
- PBMs are moving from traditional revenue sources such as rebate retention and spread pricing and as a result the current level of reporting may not be sufficient to understand PBM profitability.
- PBM affiliated businesses (e.g., PBM-owned specialty pharmacies, rebate GPOs, and biosimilar distributors) are a growing source of PBM revenue that provide additional layers of revenue retention for vertically integrated organizations.

Connecticut PBM Landscape

4. Plan v. Member Incentives and Cost-Shifts

- Savings for the plan sponsor does not always benefit the consumer and can sometimes result in higher costs for the consumer.

Impact of Rebates on Cost to Members v. Purchasers

		DRUG A	DRUG B
Gross Drug Cost (WAC)	A	\$1,000	\$500
Rebate	B	\$500	\$0
Net Drug Cost	$C = A - B$	\$500	\$500
Patient Cost Share (20% Coinsurance)	$D = A * 20\%$	\$200	\$100
Overall Cost to Plan Sponsor	$E = C - D$	\$300	\$400

State Policy Initiatives

State Policy Trends

Increased Transparency and Reporting Requirements, including:

- Reporting from PBMs on Pharmacy reimbursement rates and fees
- Affiliate fees and revenue

Reducing Prices for Commercial Consumers

- Increase biosimilar adoption
- Assess point-of-sale rebates (similar to state employee plan)
- Lowering patient cost share for brand-over-generic strategies
- Promote cost-plus pricing models and reduced cross-subsidization
- De-linking PBM revenue from drug cost
- Expanding the use of preventive drug lists

Questions and Discussion

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