

Lowering Costs for Clients and their Plan Members

PBM Strategies that Work



BRIEFING

March 14, 2019

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CVS Health was among the first to offer commercial plans, who are clients of our pharmacy benefit manager (PBM) CVS Caremark, the ability to adopt point-of-sale (POS) rebates for their prescription drug plan. Even though CVS Caremark passes through 98 percent of all rebates we negotiate on behalf of our clients — effectively 100 percent for Medicare Part D plans — we recognize that with the rise in high-deductible health plans, members have been feeling more of the burden of high drug list prices. We launched POS rebates to help offset member out-of-pocket costs, especially during the deductible phase when they are responsible for the cost of the drug without any cost share.

The Real Issue with Drug Prices

As the high price of prescription drugs continues to generate debate in the news, court of public opinion, and halls of Congress alike, drug manufacturers are trying to deflect attention from the real issue — the list prices they set for drugs — to other topics. They would like the attention to be on rebates, PBMs and insurers — anything but the actual reasons for high prices — or the money spent by manufacturers on marketing instead of innovation.

Proposed Government Action, Unintended Consequences

On January 31, the U.S. Department of Health and Human Services, Office of the Inspector General (HHS OIG), released a proposed rule that would eliminate a safe harbor that applies to rebates on prescription drugs paid by manufacturers to PBMs for Medicare Part D plans and Medicaid managed care organizations (MCOs).

At the same time, the OIG released a proposed rule to create a new safe harbor that would allow prescription drug rebates paid to PBMs for Medicare Part D plans and Medicaid MCOs provided the rebates are fully applied at the POS. While we support the administration’s goal to reduce costs, unfortunately, the proposed rule’s one-size-fits-all policy will take us backward not forward, leading to higher net drug prices and premiums, and increased costs for most beneficiaries and the government.

The Proposed rule, if finalized, would initially increase premiums for Medicare beneficiaries by \$5.64 PMPM

According to the Centers for Medicare & Medicaid Services’ (CMS) own analysis, the proposed rule, if finalized, would initially increase premiums for Medicare beneficiaries by \$5.64 per-member-per-month, a 19 percent increase initially and the premium increase would eventually grow to 25 percent. While some beneficiaries will benefit from lower drug costs at the pharmacy counter, the majority of beneficiaries will face higher costs because of the increased premiums. In addition, implementing this proposal would cost the government \$196 billion over the next 10 years — that’s money that is not being put into improving benefits for Medicare beneficiaries.

Instead, we propose passing laws that help increase competition, speed up the development of generics and lower-cost alternatives, and support market innovations that help lower the cost of prescription drugs for everyone.

Proven Strategies to Lower Plan, OOP Costs

CVS Health is proud of our proven record of using innovative tools to hold down net costs. While drug companies are raising prices, we are partnering with employers and health plans to help patients save money.

We offer approaches such as the option of **POS rebates** and **\$0 copay preventive drug** lists that help lower costs for payors and enable consumers to benefit from the savings we have negotiated from drug manufacturers. We recommend that clients with high-deductible health plans adopt a preventive drug list, which enables plans to have zero-dollar member copays for drugs that prevent disease, even before the deductible is met. We also recommend that clients expand the definition of “preventable” to cover all generic medications for chronic diseases as well as some key branded drugs, like insulin, under this category.

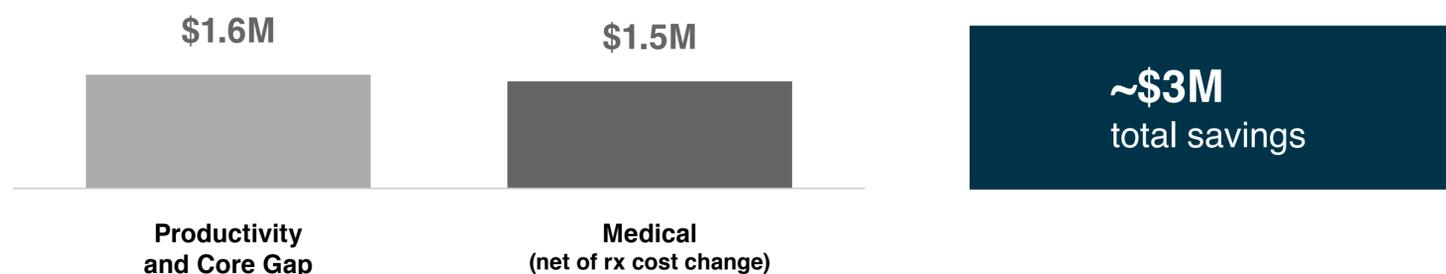
■ Implementing POS rebates and a \$0 copay preventive drug list saves money for clients and members

Payors can also use POS rebates to help provide members transparency into actual drug cost and lower OOP costs at the pharmacy counter, particularly during the deductible phase.

Our analysis shows that, if clients employ POS rebates and follow the CVS Caremark Standard Formulary, they can implement a \$0 drug list for these conditions, helping lower costs for their members while also saving money for the plan.

We also continue to innovate to help prescribers, pharmacists, and members make more informed decisions, and help them find lower-cost alternatives. Our **real-time prescription benefit solution** provides visibility into plan coverage, plan member drug cost, and available clinically appropriate options at the point of prescribing, at the pharmacy, and directly to members.

POS Rebates and Preventive Drug Lists Can Also Lower Costs for Clients



Supporting Policies That Lower Costs

PBM tools have effectively kept net drug prices in check for clients and their members. However, more can and must be done to provide prescription drug price relief. We actively support policies that would eliminate practices by drug manufacturers to block competition, which limit our ability to secure more affordable medications for consumers and clients.

Proposed legislation we support includes:

- ✓ Preserve Access to Affordable Generics Act, which would prevent drug manufacturers from using “pay-for-delay” tactics to delay introduction of lower-cost generics¹
- ✓ CREATES Act, which aims to end abuse of Risk Evaluation and Mitigation Strategies requirements, used by brand drug manufacturers to deny generic manufacturers access to drug samples they need to ensure bioequivalence when seeking abbreviated review²

The Medicare Payment Advisory Commission (MedPAC) – an independent federal body whose role is to advise the U.S. Congress on issues affecting the administration of the Medicare program – has **recommended capping out-of-pocket spending for Medicare Part D beneficiaries.**³ The president has expressed his support for the recommendation and we agree with him and MedPAC that this would help lower the cost burden for beneficiaries.

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Public Policy

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Drug manufacturers alone are responsible for setting and raising drug prices. We support efforts by the administration and Congress to lower drug prices and reduce out-of-pocket costs for consumers. Unfortunately, the recent proposal by the administration to have a one-size-fits-all policy to force all discounts at the point-of-sale for Medicare Part D and Medicaid will lead to higher net drug prices and increased premiums — both for consumers and the government. What is needed is true innovation of the kind CVS Caremark, as a PBM, has already been engaged in, to rein in the ability of manufacturers to use their monopoly pricing power to limit competition, continue to raise drug prices, and keep lower-cost generic alternatives from entering the market.

Do you want to learn more about solutions that can help lower your plan costs?

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1. <https://www.klobuchar.senate.gov/public/2015/9/klobuchar-grassley-renew-efforts-to-crack-down-on-anti-competitive-pay-for-delay-pharmaceutical-deals>.
2. <https://www.leahy.senate.gov/imo/media/doc/HEN16627.pdf>.
3. <http://www.medpac.gov/docs/default-source/reports/chapter-6-improving-medicare-part-d-june-2016-report-.pdf>.

Adherence results may vary based upon a variety of factors such as plan design, demographics and programs adopted by the plan. Client-specific modeling available upon request.

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