



Position on Pharmacy Benefit Managers (PBMs)

Support:

- The best care for patients and the necessary autonomy of physicians to make the best prescription choices.
- Transparency about the role PBMs play in setting drug prices so patients and physicians know the true cost of a medication.
- Creating formularies based on effectiveness, safety and ease of administration rather than financial incentives.

Oppose:

- Tiered formularies based on pricing and arrangements between PBMs and insurance companies.
- Changes to formularies that are made without the input of the medical community and which are based on financial rather than clinical grounds.
- Midyear / short notice formulary changes that are not related to patient safety

Physicians and their patients should be in control of their care. Pharmacy benefit managers (PBMs) were introduced to serve as intermediaries contracted by payors to manage prescription drug plans on behalf of beneficiaries.ⁱ Unfortunately, PBMs have fostered formularies which benefit insurers, pharmaceutical companies and/or pharmacies. PBMs may direct patients toward medications which provide the greatest reimbursement to the affiliated / commercial entity rather than the greatest benefit and / or lowest cost to the patient.

Drug prices have skyrocketed partially due to the lack of an open and honest view of how these prices are set. Agreements between insurance carriers and PBMs, which can be part of the same corporation, grant themselves the full authority to determine where patients may or may not purchase their prescription (i.e. a retail pharmacy or mail order pharmacy).ⁱⁱ This is carried out regardless of the detrimental effect it has on patient health and wellbeing. PBMs have interfered in the drug supply chain, causing consumers to overpay \$135 million on their prescriptions.ⁱⁱⁱ

Transparency is key. Physicians should serve as a transparency aid to decision-making, allowing patients to receive the maximum benefits from cost-saving measures. Patients should also be able to see the reason that they are directed toward one medication or another and how the rebates that they receive are funneled back to a pharmaceutical agent or insurer. Patients look to their physicians to prescribe the most effective therapy at the most reasonable cost. However, the opaque nature of pharmaceutical pricing makes it difficult for physicians to quickly and easily access cost information that can aid in decision-making.

One of the most significant issues with PBMs is their control over formularies. It is in the best interest of patients that formularies be based on effectiveness, safety and ease of administration. Any changes to formularies should be justified with accepted clinical standards and guidance from the medical community.

Control over formularies leads to step therapy policies that are not constructed on evidence-based medicine. These policies are simply time-consuming processes of trial and error of “preferred” formulary drugs before the originally prescribed medicine is available to the patient.^{vi} PBMs should allow coverage for a first line medication that is not on the formulary if the prescribing physician provides objective data to support a medically necessary cause. Additionally, PBMs should respect if a patient is medically stable on a particular medication and cease making mid-year formulary changes, unless related to safety.

*Approved by the ASDSA Board of Directors: November 2018
Updated May 2021*

ⁱ STAT. Are pharmacy benefit managers the good guys or bad guys of drug pricing? August 27, 2018. <https://www.statnews.com/2018/08/27/pharmacy-benefit-managers-good-or-bad/>

ⁱⁱ Health Affairs. A six step solution to the PBM problem. August 30, 2018. <https://www.healthaffairs.org/doi/10.1377/hblog20180823.383881/full/>

ⁱⁱⁱ Modern Healthcare. Insurance gag-clause ban for pharmacists OK'd by Senate panel. July 25, 2018. <http://www.modernhealthcare.com/article/20180725/NEWS/180729946>

^{vi} Dieguez G, Alston M and Tomicki, S. A primer on prescription drug rebates: insights into why rebates are a target for reducing prices. Milliman White Paper. Published May 2018.

Relevant AMA Policy

D-110.987 The Impact of Pharmacy Benefit Managers on Patients and Physicians

1. Our AMA supports the active regulation of pharmacy benefit managers (PBMs) under state departments of insurance.
2. Our AMA will develop model state legislation addressing the state regulation of PBMs, which shall include provisions to maximize the number of PBMs under state regulatory oversight.
3. Our AMA supports requiring the application of manufacturer rebates and pharmacy price concessions, including direct and indirect remuneration (DIR) fees, to drug prices at the point-of-sale.
4. Our AMA supports efforts to ensure that PBMs are subject to state and federal laws that prevent discrimination against patients, including those related to discriminatory benefit design and mental health and substance use disorder parity.
5. Our AMA supports improved transparency of PBM operations, including disclosing:
 - Utilization information;
 - Rebate and discount information;
 - Financial incentive information;
 - Pharmacy and therapeutics (P&T) committee information, including records describing why a medication is chosen for or removed in the P&T committee's formulary, whether P&T committee members have a financial or other conflict of interest, and decisions related to tiering, prior authorization and step therapy;
 - Formulary information, specifically information as to whether certain drugs are preferred over others and patient cost-sharing responsibilities, made available to patients and to prescribers at the point-of-care in electronic health records;
 - Methodology and sources utilized to determine drug classification and multiple source generic pricing; and
 - Percentage of sole source contracts awarded annually.
6. Our AMA encourages increased transparency in how DIR fees are determined and calculated.

Policy Timeline

CMS Rep. 05, A-19; Reaffirmed: CMS Rep. 6, I-20

D-120.934 Evaluating Actions by Pharmacy Benefit Manager and Payer Policies on Patient Care

1. Our AMA will take steps to implement AMA Policies H-120.947 and D-35.981 that prescriptions must be filled as ordered by physicians or other duly authorized/licensed persons, including the quantity ordered.

2. Our AMA will work with pharmacy benefit managers, payers, relevant pharmacy associations, and stakeholders to: (a) identify the impact on patients of policies that restrict prescriptions to ensure access to care and urge that these policies receive the same notice and public comment as any other significant policy affecting the practice of pharmacy and medicine; and (b) prohibit pharmacy actions that are unilateral medical decisions.

3. Our AMA will report back at the 2018 Annual Meeting on actions taken to preserve the purview of physicians in prescription origination.

Policy Timeline

Res. 233, I-17

D-125.997 Interference in the Practice of Medicine

Our AMA shall initiate action by whatever means to bring a halt to the interference in medical practice by pharmacy benefit managers and others.

Policy Timeline

Res. 529, A-02; Reaffirmation A-10; Reaffirmed: CMS Rep. 04, A-16

H-110.979 Value-Based Management of Drug Formularies

Our AMA: (1) will advocate that pharmacy benefit managers (PBMs) and health plans use a transparent process in formulary development and administration, and include practicing network physicians from the appropriate medical specialty when making determinations regarding formulary inclusion or placement for a particular drug class; (2) will advocate that any refunds or rebates received by a health plan or PBM from a pharmaceutical manufacturer under an outcomes-based contract be shared with impacted patients; and (3) opposes indication-based formularies in order to protect the ability of patients to access and afford the prescription drugs they need, and physicians to make the best prescribing decisions for their patients.

Policy Timeline

CMS Rep. 6, I-20

H-110.981 Public Reporting of PBM Rebates

Our AMA will advocate for: (1) Pharmacy Benefit Managers (PBMs) and state regulatory bodies to make rebate and discount reports and disclosures available to the public; and (2) the inclusion of required public reporting of rebates and discounts by PBMs in federal and state PBM legislation.

Policy Timeline

Res. 813, I-19

H-110.991 Price of Medicine

Our AMA: (1) advocates that pharmacies be required to list the full retail price of the prescription on the receipt along with the co-pay that is required in order to better inform our patients of the price of their medications; (2) will pursue legislation requiring pharmacies, pharmacy benefit

managers and health plans to inform patients of the actual cash price as well as the formulary price of any medication prior to the purchase of the medication; (3) opposes provisions in pharmacies' contracts with pharmacy benefit managers that prohibit pharmacists from disclosing that a patient's co-pay is higher than the drug's cash price; (4) will disseminate model state legislation to promote drug price and cost transparency and to prohibit "clawbacks"; (5) supports physician education regarding drug price and cost transparency, manufacturers' pricing practices, and challenges patients may encounter at the pharmacy point-of-sale; and (6) work with relevant organizations to advocate for increased transparency through access to meaningful and relevant information about medication price and out-of-pocket costs for prescription medications sold at both retail and mail order/online pharmacies, including but not limited to Medicare's drug-pricing dashboard.

CMS Rep. 6, A-03; Appended: Res. 107, A-07; Reaffirmed in lieu of: Res. 207, A-17; Appended: Alt. Res. 806, I-17; Reaffirmed: BOT Rep. 14, A-18; Appended: CMS Rep. 07, A-18; Reaffirmation: A-19; Appended: Res. 126, A-19

H-125.975 Payment for Brand Medications When the Generic Medication is Recalled

Our AMA supports health plans and pharmacy benefit managers providing a process for expedited formulary exceptions in the event of a recall of a generic medication, to ensure patient access to the brand medication or more affordable, alternative treatment options.

Policy Timeline

Res. 105, A-19

H-125.979 Private Health Insurance Formulary Transparency

1. Our AMA will work with pharmacy benefit managers, health insurers, and pharmacists to enable physicians to receive accurate, real-time formulary data at the point of prescribing.
2. Our AMA supports legislation or regulation that ensures that private health insurance carriers declare which medications are available on their formularies by October 1 of the preceding year, that formulary information be specific as to generic versus trade name and include copay responsibilities, and that drugs may not be removed from the formulary nor moved to a higher cost tier within the policy term.
3. Our AMA will develop model legislation (a) requiring insurance companies to declare which drugs on their formulary will be covered under trade names versus generic, (b) requiring insurance carriers to make this information available to consumers by October 1 of each year and, (c) forbidding insurance carriers from making formulary deletions within the policy term.
4. Our AMA will promote the following insurer-pharmacy benefits manager - pharmacy (IPBMP) to physician procedural policy: In the event that a specific drug is not or is no longer on the formulary when the prescription is presented, the IPBMP shall provide notice of covered formulary alternatives to the prescriber promptly so that appropriate medication can be provided to the patient within 72 hours.
5. Drugs requiring prior authorization, shall be adjudicated by the IPBMP within 72 hours of receipt of the prescription.

6. Our AMA (a) promotes the value of online access to up-to-date and accurate prescription drug formulary plans from all insurance providers nationwide, and (b) supports state medical societies in advocating for state legislation to ensure online access to up-to-date and accurate prescription drug formularies for all insurance plans.

7. Our AMA will continue its efforts with the National Association of Insurance Commissioners addressing the development and management of pharmacy benefits.

8. Our AMA will develop model state legislation on the development and management of pharmacy benefits.

Policy Timeline

Sub. Res. 724, A-14; Appended: Res. 701, A-16; Appended: Alt. Res. 806, I-17; Reaffirmed: CMS Rep. 07, A-18; Reaffirmed: BOT Rep. 20, A-19; Reaffirmed: CMS Rep. 05, A-19