

HB25-1094: Lowering Drug Costs by Creating a Competitive Market for PBM Services

Sponsored By: Reps. Kyle Brown & Dusty Johnson, Sens. Byron Pelton & Dylan Roberts

BACKGROUND

Pharmacy benefit managers, or PBMs, manage prescription drug benefits on behalf of health insurers and large employers. By negotiating with drug manufacturers and pharmacies to control drug spending, PBMs have a significant impact in determining total prescription medication costs. While PBMs were initially created to help reduce drug costs and pass those savings to their clients, they have faced growing scrutiny about their role in increasing prescription drug costs and spending.

PROBLEM

PBMs' current business practices generate income from complex drug pricing in which PBMs profit from higher priced drugs. This has put costs for prescription medicines increasingly out of reach of Coloradans. Just 3 PBMs set pricing and process claims for more than 80% of all drug prescriptions filled. The concentration of PBM market power allows PBMs' to raise the cost of prescription drugs, through multiple transactions along a long, largely PBM-owned drug distribution chain. At the final point of purchase, it's Colorado patients and employers who pay the high price.

SOLUTION

Increase competition in the market and ensure PBMs are better incentivized to drive down costs for Coloradans. Specifically HB 1094 would:

- Permit PBMs to earn income from the assessment of a single, flat-dollar service fee for the provision of a prescription drug, instead of earning income based on the price of the drug,
- Allow PBMs to generate income when they drive costs down,
- Prohibit PBMs from designing prescription drug formularies that favor higher-cost, name branded pharmaceuticals over lower cost generics,
- Require a fair reimbursement rate for pharmacies, and
- Require PBMs to be more transparent with clients about their complex prescription drug pricing schemes.

PBM ACCOUNTABILITY PROJECT OF COLORADO COALITION

Chronic Care Collaborative, Healthier Colorado, Colorado Consumer Health Initiative, Colorado Cross Disability Coalition, Mental Health Colorado, Colorado Academy of Family Physicians, Colorado Education Association, Centennial State Prosperity, RxPlus Pharmacies, Colorado WINS, Disability Law Colorado, Colorado Society of Anesthesiologists, Colorado Retail Council, Epilepsy Foundation of Colorado and Wyoming, Colorado Small Business Majority, Lupus Colorado, Coalition of State Rheumatology Organizations, Center for Health Progress, Rocky Mountain Oncology Society, Leukemia and Lymphoma Society, The National Multiple Sclerosis Society, Young Invincibles, The Community Liver Alliance, and Cystic Fibrosis United.

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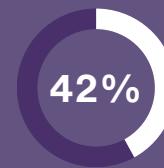
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BY THE NUMBERS



Rebates and fees received by PBMs account for 42% of every dollar spent on brand medicines in the commercial market.



According to the Federal Trade Commission: The biggest 3 PBMs processed nearly 80%

of the 6.6 billion prescriptions dispensed by pharmacies in 2023; the top 6 PBMs processed more than 90%.



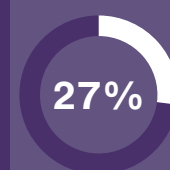
Over the past decade, profit growth of the "Big 3" PBMs increased by 438%. This amounted to profit growth from

\$6.3 billion in 2012 to \$27.6 billion in 2022.



The largest PBMs have become so profitable that they are included among the **Fortune 25** companies – ranked

higher than the drug manufacturers they were meant to control.



Over the last decade, low PBM reimbursement of independent pharmacists for fulfilling patients' prescriptions has forced closure of 27% of the kinds of independent, local pharmacies that are especially critical for Colorado's rural communities.

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