

PBMs—Live and Let Die

By Rodolfo Molina, MD

Has your office staff felt the pressure of a PBM? Do you know what a PBM is?

PBMs, (Pharmacy Benefit Managers), are responsible for such programs as prior authorizations, step therapy and tiered level co-payments. You may also know them as CVS Caremark, Medco Health Solutions, Express Scripts, or other corporate names. Commercial insurance companies and governmental agencies have turned to PBMs to “manage and control the high cost of drugs”. PBMs are “middle men” who have no contract with you, your practice or your patients. They contract with drug manufacturers and pharmacies to develop a formulary (list of allowed drugs) for their clients. PBMs will claim that their objective is to reduce the “cost of healthcare”; however, the true goal of PBMs is to increase the profits of their clients, the insurance companies. They also increase your and your staff’s workload by requiring exhaustive reviews of patients’ charts in order to “justify” your choice of prescriptions. The time spent by you and your staff responding to these prior authorizations or step-therapy reviews is time spent away from patient care and is totally uncompensated. The employees of PBMs are usually high school graduates who simply compare the drug you prescribed to their formulary and then compare the diagnosis to “approved” diagnoses for the medication. If their criteria are not met, coverage is denied and the doctor is bombarded with paperwork. Have you ever wondered why an “insurance company” was asking for the diagnosis to be written on a script or one of their prescription forms? Now you know why.

PBMs were created to “incentivize” our patients to pick “better” (cheaper) drugs (generally generics) which are included in their formularies. The enactment of the Waxman-Hatch Act of 1984 allowed for generics to be entered into mainstream pharmacies with a “fast track”. The law’s stated goal was to reduce costs to the consumer. One of the FDA mandates for a generic is the “80-120 Rule” which means that the generic has to demonstrate blood levels between 80 to 120% of the parent drug in as few as 24 healthy volunteers. How many of your patients have told you that the generic is not as effective as the brand name? Hmm, starting to make sense now?

PBMs have a long record of corruption. In June 1995, the U.S. Department of Justice received a \$161 million settlement from Caremark. As part of the settlement, the government dropped charges that Caremark violated Anti-Kickback statutes.¹ In October 2006, the U.S. Department of Justice settled with Medco for \$155 million in a case alleging Medco had submitted false claims, cancelled valid prescriptions, shorted pills, violated the Anti-Kickback statutes by accepting payments from pharmaceutical companies to favor their products on Medco’s preferred list, and paid kickbacks to health plans to award contracts that provided mail order requirements for their beneficiaries.^{2,3} But despite the many rulings and large settlements, these companies surpass and outperform the S&P 500; see Alan Brochstein’s TradeKing report posted September 23, 2010.⁴ These are multi-million dollar companies. They save money when a

prescription is delayed or the “Tiered Co-Pay” is so high that the patient refuses the medicine prescribed.

Yet, physicians and staff are required to work for the PBMs by reviewing charts and justifying our treatment decisions. In August 2007, Dr. Gary Gibson sued Medco for his time spent filling out prior-authorization forms in the state of Ohio. He won that suit. In 2008, after reviewing the time spent by a doctor and their staff, the State Senate of Georgia recommended that a physician be paid for each completed prior-authorization should the total number exceed more than ten in a thirty-day period. There have been some studies on just how much it costs a doctor’s office to do the paperwork. One estimate was \$25,000 per physician per year for performing this unnecessary and redundant work! That represents a \$25,000 additional (uncompensated) expense! We have already seen, worked up, and diagnosed the patient, reviewed the chart, and carefully determined what is the best medicine for each patient; so when required to do this again for the sole financial benefit of a PBM—not the patient—we should be compensated.

Two other means of delaying access to care which have been created by PBMs are Tier Co-Payments and Step-Therapy. The Tier Co-Pay is meant to financially discourage the use of a non-preferred (more expensive) drugs. PBMs say it saves the patient money. Step-Therapy requires a patient try and fail a formulary-preferred (less expensive) drug before they will cover the original drug prescribed by the doctor. This delay saves money for the PBM and costs you in uncompensated time reviewing the chart to check if the patient has prior use of any of the “preferred” drugs. The state of New York last year passed a law against Tier 4 or Specialty Tier with higher co-pays,⁵ and the state of Louisiana passed a law restricting Step Therapy last year. Why are we Texans so far behind? Or, better yet—why is this nation that is so interested in health care reform so blind to the everyday obstacles we face trying to deliver the best care in the world?

Just a thought: The average Briton pays one pound per day to get their medicine at no additional cost. What if we, each Texan, paid \$1.00 a day to create our own PBM. That is to say, we pay for it and we own it. That would translate to \$24 million per day for 365 days. That’s a lot of money and a lot of bargaining power. After all, we should be invested in our own health care. ☺

References:

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