



The State of the PBM Industry— Trends, Opportunities, and Challenges



Susan Berson

*Division Head, Health Law Practice and Managing
Partner, Washington, DC Office | Mintz*
SBerson@mintz.com



Theresa Carnegie

Member | Mintz
TCCarnegie@mintz.com



Tara Dwyer

Member | Mintz
TEDwyer@mintz.com



Vertical Integration and Novel Competition



Benefit Design Opportunities and Challenges



Emerging Trends in Managed Care Contracting



Vertical Integration and Novel Competition

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Vertical Integration



Impact of Vertical Integration on PBM Landscape – Focus on the Physician

- **Increased interest in primary care and connection to prescribers**
 - **Insurers:** Acquisition of physician groups and physician networks by large insurers
 - **Pharmacy:** Large retail pharmacy chains restructuring and reimagining retail locations to focus on primary care and chronic care management
 - **Hospitals and Private Equity:** Hospitals have continued to fold providers into their health systems and private equity has focused investment in several primary care specialties
 - **Digital Health Platforms:** New model of care



Physician Practice Acquisitions Accelerated During COVID-19

A new study shows an acceleration of physician practice acquisitions, leading to nearly half of US physician practices being owned by hospitals and corporations.

Health
HUB

BUSINESS

CVS to Close 900 Stores Over Three Years

Pharmacy chain says it will add health services to other locations, book roughly \$1 billion restructuring charge



Village Medical
at Walgreens

Impact of Vertical Integration on PBM Landscape – Novel Competition

- **Alternative PBM Models:** Emergence of alternative and start-up PBM players – advertise transparency, simpler business model, technology solutions
- **Cash Pharmacies and Care Alternatives:** Mark Cuban Cost Plus Drug Company, Amazon Care, OptumStore
- **Hospital Competition:** Increased competition from health systems and hospital pharmacies developing and expanding specialty pharmacy capabilities
- **Digital Health Entrants:** Offer virtual alternatives to brick-and-mortar care and package previously disparate services into one convenient consumer experience



Optum Store

hims&hers



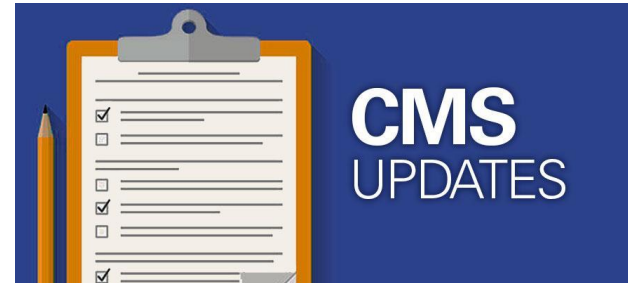
em|sanaRx

Opening the black box of
pharmacy benefit
management



Impact of Vertical Integration on PBM Landscape – Regulatory Scrutiny

- **Increased Regulatory Scrutiny and Calls for Greater Transparency**
 - FTC investigation of PBM practices with a focus on vertical integration
 - State Law Regulation of PBM Practices (Rutledge Decision)
 - Possible Updates to CMS Related Party Bidding Rules
 - Continuing National Debate – Solutions to Address High Drug Prices



FTC Requests Public Comments on the Impact of Pharmacy Benefit Managers' Practices

February 24, 2022

Agency seeks information on the ways that large, vertically integrated PBMs are affecting drug affordability and access



Rutledge v. PCMA may have big impact on how states regulate PBMs



Benefit Design Opportunities and Challenges

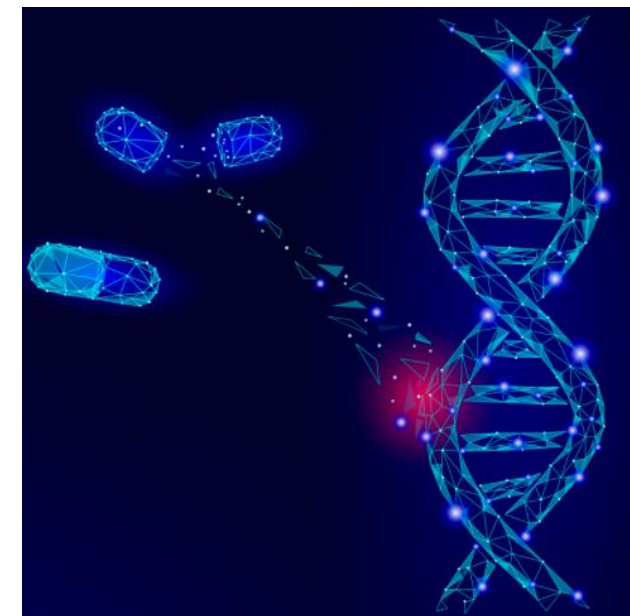
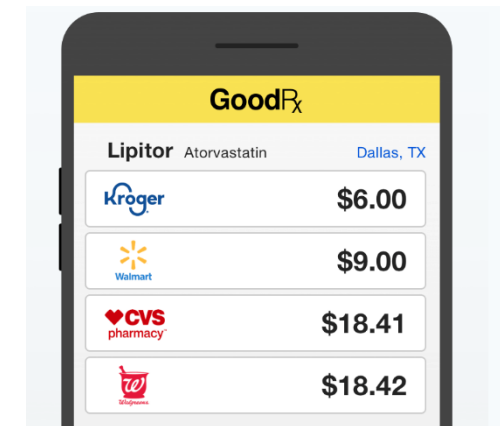
Benefit Design Opportunities and Challenges



Benefit Design Opportunities and Challenges

Challenges

- How to Control Drug Spend Under Different Benefit Design Paradigms
- State Law and Medicare Part D
- Expansion of Manufacturer Assistance Programs
 - Accumulators and Maximizers
- Discount Card and Cash Utilization
- Growth of Bolt on Drug Category Specific Coverage – e.g. fertility
- Cost of Cell and Gene Therapies



Opportunities

- Biosimilar Growth and Adoption
 - Interchangeable insulin approved
 - Increased physician adoption
 - In 2023 – Humira – the most utilized drug in the country will face biosimilar competition
 - Robust pipeline
- Value-Based Contracting Arrangements
 - Opportunities to address cost and coverage for expensive cell and gene therapies
- Specialty Generics
- Digital Therapeutics – addiction, mental health, ADHD





Emerging Trends in Managed Care Contracting

Managed Care Contracting and Rebates

- Aftermath of the Trump Rebate Rule – Is it dead?
 - Will CMS address PBM rebates through Medicare Part D regulation?
- Potential for government enforcement related to rebates and rebate arrangements
- Rebate GPOs continue to consolidate purchasing power
- AKS value-based contracting safe harbors creating contracting opportunities between plans and providers
- 340B Program, discount utilization, and aggregator auditing challenges
- Commercial formulary exclusion lists are expanding creating increased competition within therapeutic categories
- Growing interest in rebates for other managed benefits – e.g., inpatient, LTC, Hospice





Questions?