



Highlights of [GAO-03-196](#), a report to the Honorable Byron L. Dorgan, U.S. Senate

FEDERAL EMPLOYEES' HEALTH BENEFITS

Effects of Using Pharmacy Benefit Managers on Health Plans, Enrollees, and Pharmacies

Why GAO Did This Study

Rising prescription drug costs have contributed to rising employer health plans premiums in recent years. Most federal employees, retirees, and their dependents participating in the Federal Employees Health Benefits Program (FEHBP), administered by the Office of Personnel Management (OPM), are enrolled in plans that contract with pharmacy benefit managers (PBM) to administer their prescription drug benefits.

GAO was asked to examine how pharmacy benefit managers participating in the federal program affect health plans, enrollees, and pharmacies. GAO examined the use of PBMs by three plans representing about 55 percent of the 8.3 million people covered by FEHBP plans. For example, GAO surveyed 36 retail pharmacies on prices that a customer without third-party coverage would pay for 18 high-volume or high-expenditure drugs and compared these prices to prices paid by the plans and PBMs.

What GAO Found

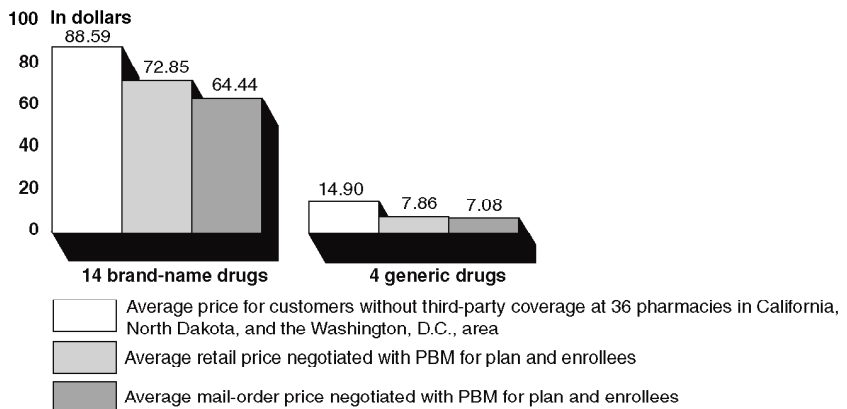
The PBMs reviewed produced savings for health plans participating in FEHBP by obtaining drug price discounts from retail pharmacies and dispensing drugs at lower costs through mail-order pharmacies, passing on certain manufacturer rebates to the plans, and operating drug utilization control programs. For example, the average price PBMs obtained from retail pharmacies for 14 brand name drugs was about 18 percent below the average price paid by customers without third-party coverage.

Enrollees in the plans reviewed had wide access to retail pharmacies, coverage of most drugs, and benefited from cost savings generated by the PBMs. Enrollees typically paid lower out-of-pocket costs for prescriptions filled through mail-order pharmacies and benefited from other savings that reduced plans' costs and therefore helped to lessen rising premiums.

Most retail pharmacies participate in the FEHBP plans' networks in order to obtain business from the large number of enrollees covered. Pharmacy associations report that the PBMs' large market shares leave some retail pharmacies with little leverage in negotiating with PBMs. Retail pharmacies must accept discounted reimbursements from PBMs they contract with and perform additional administrative tasks associated with claims processing.

OPM generally concurred with GAO's findings. The plans and PBMs reviewed provided technical comments, and two independent reviewers stated the report was fair and balanced. One pharmacy association expressed strong concerns, including that the report did not more broadly address economic relationships in the PBM industry. GAO examined relationships between the PBMs and manufacturers and pharmacies specific to their FEHBP business. However, relationships between PBMs and other entities for other plans were beyond the report's scope.

PBM Discounted Prices Compared to Prices for Customers without Third-Party Coverage, 30-day Supply, April 2002



Source: Three plans and PBMs and 36 pharmacies.

www.gao.gov/cgi-bin/getrpt?GAO-03-196.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Kathryn G. Allen at (202) 512-7118.