A 'giant shell game?' The egregious gimmicks of corporate health care

Featuring Ed Weisbart, MD

Physicians for a National Health Program

This time on Code WACK!

Rebate aggregators? Group purchasing? Vertical integration? ***How exactly do Pharmacy Benefit Managers, or PBMs, operate to maximize profit?*** **And how are everyday Americans suffering from these practices?**

To find out, we spoke to Dr. Ed Weisbart, the national board secretary of **Physicians for a National Health Program**, a single-payer advocacy coalition that boasts more than 25,000 members, and former chief medical officer for one of the largest PBMs in the country. This is the second episode in a two-part series.

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WE DISCUSS

What is the significance of the recent Federal Trade Commission report on Pharmacy Benefit Managers for patients?

"... it reveals the problem of corporate consolidation and power. It reveals the problem when you let any place get this big that's not interested in the health of people, but more interested in their own profits.

"So they're huge now, I mean, one of the findings of the new report was that the top six PBMs control more than 90% of the prescriptions in this country. The top three control 80% and that they're integrated throughout the healthcare system. So they often have the same owner as an insurance company. . .

"And they're also integrated with owning their own pharmacies. Oftentimes, they almost all own their own specialty pharmacy, which is, you know, a pharmacy that's dedicated to the really expensive, relatively uncommon drugs. They almost all own their own mail order specialty pharmacy.

"... So they get to decide which pharmacies we use. They get to decide which drugs are on the formulary. So your doctor has to work with the list of drugs that the PBM decides, rather than the list of drugs that your doctor might think is the best one for you. So the PBM decides what drugs we can take, where we can get them, how much we pay for them, if we can get them. **– *Ed Weisbart, MD***

So what are some examples of insurers and PBMs gaming the system to increase profits? How do they do it?

"The insurance company can make it look like they're spending a lot because they're actually hiding the cost in the retail pharmacy. They pay the retail pharmacy way more if they own it than they do if they don't own it. And so it looks like it costs a lot of money and it looks like health insurance is expensive, but it's actually just a hidden way of profiting.

"... it used to be that the PBM made its own contracts with the manufacturers and they had their own rebate structure ... That was a problem all by itself 'cause those contracts were hidden. They were proprietary. You could barely audit or look at them if you were their customer..."

“But even worse now they’ve moved this all offshore. Most of them now have an overseas thing that they call a Group Purchasing Organization or a GPO and it's actually a rebate aggregator so that they have this separate mysterious, non-disclosed way of getting these rebates structured that then the employer or the insurance company doesn't have a way of even looking at. They can't even look at it and it's not subject to the same tax system so the whole thing has gotten way out of control.

“Anyway,the FTC report shows a million examples of these, how it jacks up the prices of drugs, how it makes drugs inaccessible all in the glorious service of profit for the PBM industry.” – ***Ed Weisbart, MD***

How else are patients being harmed by these practices?

“One more little example … So, you know, PBMs get rebates from brand name drugs. They have contracts that say, you know, ‘*if more of our patients take your brand name drug, we will get a rebate based on the amount of that.’* And that by itself is worrisome enough.

“But what I didn't know was , there's now rebate contracts that are conditioned on the PBM blocking access to generic drugs and biosimilar drugs. So there are now PBM contracts that are conditioned on the PBM not allowing patients to get access to generic drugs.

“That explains why you'll go to the pharmacy and get, you know, *‘Oh, sorry. You can't get that $5 generic drug. You have to have this $300 brand name drug because the PBM wants a hundred dollars rebate. We don't care about the fact that your copay is $50 instead of $5 that would've been if you'd gotten the generic drug.’*

“So yeah, when you go to the pharmacy and you're told something crazy about a price, you want to ask them ‘what would it cost if I didn't use my insurance?’” ***– Ed Weisbart, MD***

Helpful Links

[Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies](), ***Federal Trade Commission***

[Disadvantaging Rivals: Vertical Integration in the Pharmaceutical Market](), ***National Bureau of Economic Research***

[Middlemen Increasingly Block Patient Access to New Generics](), ***Association for Accessible Medicines***

[FTC Deepens Inquiry into Prescription Drug Middlemen](), ***Federal Trade Commission***

[Five (or Maybe Six?) Reasons that the Largest PBMs Operate Group Purchasing Organizations](), ***Drug Channels***

Episode Transcript

Read the full [episode transcript]().

Biography: Ed Weisbart, MD

Ed Weisbart, MD, is the national board secretary of **Physicians for a National Health Program**, vice president of the **Consumers Council of Missouri**, and health policy advisor for **Code WACK!**

He practiced family medicine for 20 years at Rush Medical Center in Chicago and spent seven years as chief medical officer of a Pharmacy Benefit Manager until retiring in 2010 to devote his time to advocating for healthcare justice.

He is an author and popular speaker about single-payer health care, the ongoing attacks on today's Medicare program, and how to find common ground across political chasms.

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