

# Pharmacy Benefit Managers: Market Power and Lack of Transparency

A ConsumerGram by the American Consumer Institute

## What are PBMs?

Pharmacy Benefit Managers (PBMs) administer prescription drug plans for sponsors (e.g., employers and insurers), negotiate drug prices with manufacturers, and negotiate reimbursement terms with pharmacies.

## What's the problem?

Due to a lack of transparency, sponsors and pharmacies are left in the dark about costs and pricing. This leads to asymmetric market information, where PBMs have much better information than do all the other parties involved in the process.

**This gives PBMs leverage over dealings with other parties, and represents a market failure.**

## Recommendations:

- PBMs should provide the formulary, information on costs, and any administrative burdens to consumers before they sign up for a plan;
- Patients should pay the negotiated price rather than the full price for drugs;
- Pharmacists should be allowed to disclose when prescriptions cost less when paid in cash instead of using insurance benefits; and
- The U.S. Department of Health and Human Services should be given oversight to measure the extent to which PBMs are flowing additional revenues back to beneficiaries.



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