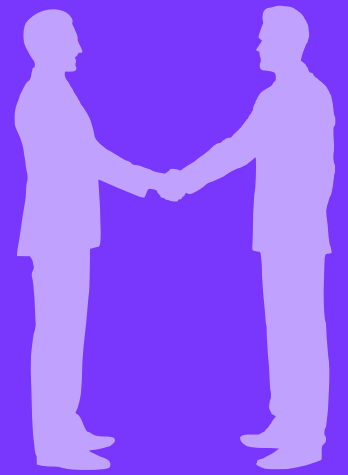


# WHO ARE THE MAIN PLAYERS IN DRUG PRICING?

Drug pricing can be a tough topic to understand, but once you know the basics, you will learn as you go! You are not alone if you find yourself having to look up the majority of drug pricing terms in any news article about this topic. Please note – these topics are far more complex than can be explained in a paragraph, but this resource can help you understand the basics of who different players in drug pricing are and what roles they play. We encourage you to refer back to this document to refresh yourself on these terms!

## PHARMACEUTICAL BENEFIT MANAGERS (PBMS)

The role of the Pharmaceutical Benefit Managers (PBMs) is to negotiate with the pharmaceutical industry to get discounts on the medications on behalf of insurance companies or employers, and ultimately patients." Some common PBMs that you might recognize include CVS Caremark, Express Scripts, OptumRx, and others. The main role of a PBM is to negotiate with the pharmaceutical company to bring down the cost down of a prescription drug for the insurer. However, some argue that PBMs lack transparency and that it is unclear if the negotiated savings are fully passed on to the patient.

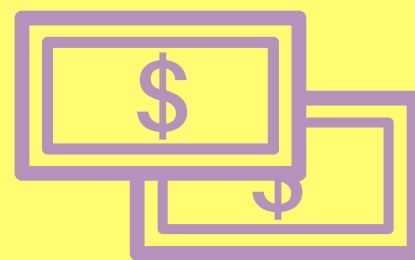


## PAYERS

Payers pay providers (like doctors and hospitals) for medical services and pay for medical products their covered patients receive. The terms payers and insurers are often used interchangeably. However, payers may include private insurance companies or public payers like Medicare or Medicaid. Insurers, or payers, are the vehicle through which people pay for their drugs. Insurers develop formularies of covered drugs and determine co-pays for medication. Insurers work with PBMs to determine how much to charge the patient based on the medication and its place on the formulary.



Without insurance, drugs would be much more expensive because each person would have to pay the full cost of their own drugs versus spreading the cost of drugs over a larger population of insurance enrollees. Insurance companies take in premiums and then use those premiums to cover the costs of drugs for their whole enrollee population. However, when pharmaceutical companies' drug prices are too high, premiums will no longer be able to cover the costs of drugs, and insurers will have to raise premiums for everyone



## PROVIDERS

**Providers** is the umbrella term that refers to entities that provide health care directly to patients, such as hospitals, doctors' offices, community clinics, and more. Providers interact directly with patients and payers to provide services and be paid for them. Depending on the type of provider and the type of patient a provider serves, providers may also participate in federal or state programs that affect how much a patient pays for health services.



For example, some hospitals are designated as “Safety Net” hospitals because they provide services regardless of a patient’s insurance status or ability to pay. Other examples of providers with special designations include Federally Qualified Health Centers (FQHCs), Ryan White AIDS Clinics, and Title X providers. Many of these designations are named because the provider meets special requirements that qualify them for grant funding from the U.S. government to provide services to patients. Providers may also separately participate in the **340B Drug Discount** ([learn more about this in our drug pricing glossary document](#)) program in addition to grant programs.

## SOURCES

<https://www.youtube.com/watch?v=0UPOC67WTds>

[https://www.youtube.com/watch?v=aeG2lWxYO\\_Y](https://www.youtube.com/watch?v=aeG2lWxYO_Y)

<https://www.youtube.com/watch?v=0UPOC67WTds>

<https://medecon.org/addressing-the-problems-of-abuse-in-the-340b-drug-pricing-program/>