

The More You Know About Small PBMs

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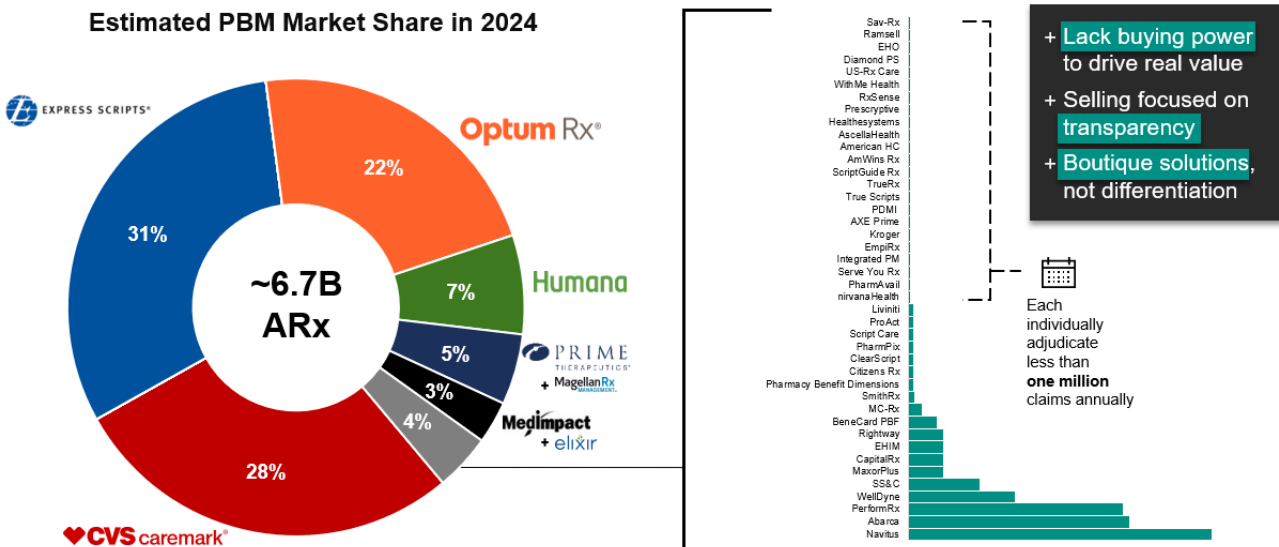
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Being a market leader means continuing to deliver on your commitments of value, quality and service while meeting the needs of your stakeholders year after year. For all of us, it is a constant effort and one we take pride in, because we know it makes a difference to each patient.

As a leader in the market, you will constantly be challenged. The Health Plan Growth Team's role is to keep you informed of the market and competitors. Our latest competitive intel conversations have primarily focused on small PBMs in the market.

These PBMs make up a small percentage of the overall total prescription claims managed in 2023, as noted in [The 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers](#). By monitoring these competitors, we have found common themes they leverage to drive attention in the media and in the market to try and win. Each of these messages has multiple rebuttals to consider as you compete with small PBMs for business.

Smaller PBMs make up a very small fraction of the market



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Small PBM myth vs. facts

Myth: Only they can deliver financial transparency.

- + **Fact:** These PBMs will often lead with “transparency” in their message, yet they buy through other entities, adding another layer of costs to the equation.
 - Example: Capital Rx and Navitus market their fully transparent pricing models, yet it is not widely understood that both use a third party for rebate aggregation and thus deliver less value to the plan sponsor.
- + **Fact:** They tout unique models, but, in reality, they aren’t actually differentiated.
 - Example: SmithRx’s “innovative” Connect 360 suite of solutions does not offer anything that larger PBMs don’t already offer: “We operate independently from insurance companies ...”

Myth: Large PBMs and health plans use monopoly power and drive up costs.

- + **Fact:** They claim their size/scale is an advantage, yet they lack the buying power to drive real value
 - Examples: Navitus calls for increased regulation against the largest PBM, yet they use one of those large PBMs for rebate aggregation; without the PBM, Navitus’ model would not operate as it does today. Also, SmithRx highlights themselves as a “new type of PBM,” yet they offer the same services as their competition on a smaller scale.
- + **Fact:** Smaller PBMs continue to disassociate themselves from larger, well-established PBMs, but they still rely on them for service and negotiating power.
 - Examples: Navitus positions themselves as anti–big PBM/health plan, yet they’re owned by a Fortune 15 company (Costco) and a very large health system (SSM Health). Meanwhile, MedImpact distances themselves from being viewed as a larger PBM but relies on the external network of pharmacies for specialty drug fulfillment (including CVS Specialty).
- + **Fact:** These PBMs promote being able to provide personalized service to clients, but the small size of their workforce calls into question their ability to deliver.
 - Example: TrueScripts touts their “one ring advantage” (their ability to answer customer service calls within one ring 99% of the time), yet they have a smaller team of employees. Is this a model that can support the level of service our employers and members expect?

Myth: They are the only offering that delivers choice and innovation.

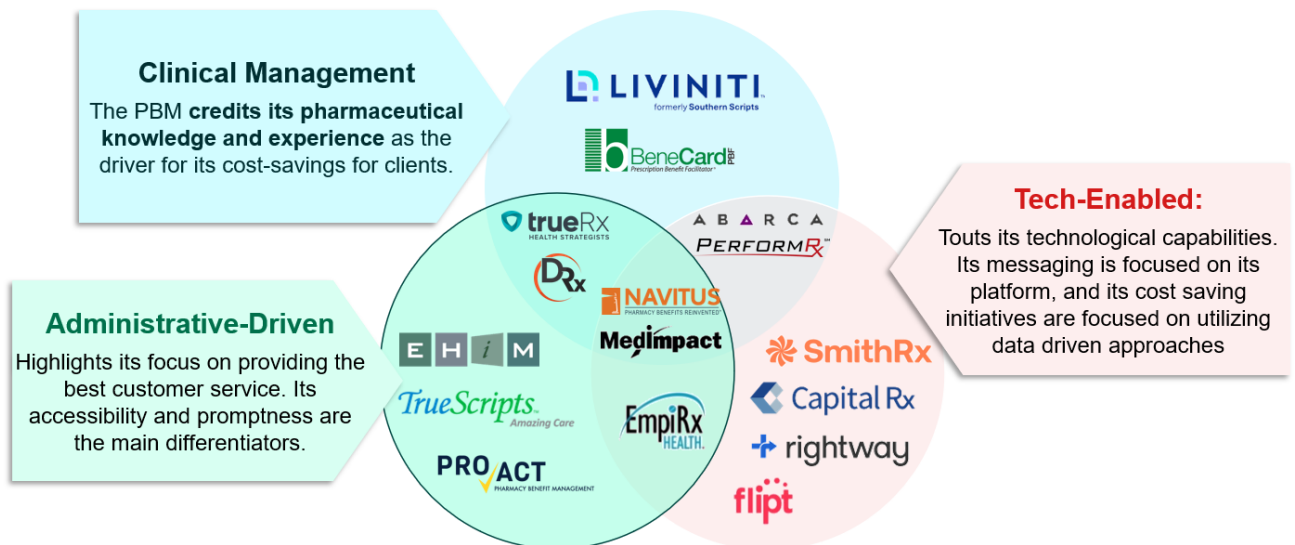
- + **Fact:** They link their messaging to perceived unmet needs but are often unclear on the details.
 - Example: DisclosedRx markets that they are a “fully disclosed” PBM (as opposed to being fully transparent), yet they do not define what being “fully disclosed” means.

- + **Fact:** Small PBMs claim to have unique third-party partnerships to promote their position, but these are common practice in the industry.
 - Example: SmithRx touts their partnerships with “disruptors” (e.g., Amazon Pharmacy and Mark Cuban CostPlus Drug Company) to present themselves as innovative, yet these partnerships are simply pharmacy relationships (very standard in the market/not unlike other network relationships).

Myth: Their solution offering is world class.

- + **Fact:** They offer standard clinical programs repackaged as proprietary solutions.
 - Example: DisclosedRx’s Clinical Management platform offers standard solutions that are not differentiated from competitor offerings.
- + **Fact:** They suggest their experience and knowledge will drive improved savings even though many of these smaller players were only just stood up within the past few years
 - Example: DisclosedRx was founded in 2020, calling into question their experience and tenure of experience servicing clients through this model.

Outside of transparent pricing models, when small PBMs go to market, they typically lean in on specific value props to differentiate themselves.



Foundational considerations






Small PBMs that are making noise in the market do not have the scale or breadth of capabilities that health plans can offer clients. When your health plan encounters smaller PBMs, here are some foundational considerations you should consider:

1. **Lack of bargaining power:** Even though they attack large PBMs for their overall scale, small PBMs are buying through larger entities—and not making that widely known or understood.
 - Small PBMs outsource rebates and their network to other aggregators to gain the economies of scale that they lack.

1. **Not always lowest cost:** Small PBMs lead with their “transparent” pricing models, yet up-front pricing does not always lead to the lowest cost.
 - While transparency is at the center of these smaller PBMs’ sales pitch, fees and other costs added to the equation typically do not result in the lowest price.
 - At the end of the day, clients must look at the total cost of care.
2. **Limited capability suite:** Small PBMs often do not have the necessary expertise in house to drive clinical outcomes.
 - Small PBMs will outsource clinical and customer service capabilities, resulting in the fragmentation of services and, subsequently, experience and pricing concerns.
 - Internal programs at these PBMs are often not differentiated.
 - Express Scripts by Evernorth® and health plans combine rich patient data with clinical expertise to drive member engagement and enable quality, patient-centered care.
3. **Venture capital (VC) backed:** Many small PBMs are receiving funding from VC-backed investors.
 - Competitors including CapitalRx and SmithRx have had VC funding rounds, calling into question the longevity of these companies and whether they may be sold in the future for profit.

Positioning

We developed the following **small PBM positioning grid** to further illustrate their offerings and how to effectively sell against them.

	 CapitalRx	 NAVITUS	 MedImpact	 SmithRx	 DisclosedRx <small>THE FULLY DISCLOSED PBM</small>
Marketing Message	+Cost-Plus Financial Model via NADAC pricing +Proactive Service Model (AE's are pharmacists) +Faster and easier implementation via JUDI	+Zero-spread, pass-through pricing model +Lowest-net-cost philosophy +Touts clinical care model (e.g., adherence support)	+Largest independent PBM +Promotes expertise in health plans, gov. programs, and employers +Enhanced capabilities via Elixir acquisition	+Anti-big PBM focused on transparency +100% pass-through , flat fee pricing model +Highlights advanced tech member tools	+100% rebate and pricing pass-through model +One source of revenue via single admin fee +Promotes specialty savings program
Economics	+Accessing rebates through a third-party entity +NADAC data from <4% of pharmacies nationwide and based on old data (not real-time) +Pay a broker fee	+Pass-through pricing +Accessing rebates through a third-party entity +Overall PMPM fee +Pay a broker fee	+Pass-through and traditional pricing +Accessing rebates through a third-party entity +Pay a broker fee	+Pass-through pricing +Accessing rebates through a third-party entity + PMPM service fee plus claims admin fee +Pay a broker fee	+Pass-through pricing +Accessing rebates through a third-party entity + PMPM service fee plus claims admin fee +Pay a broker fee
Alliances / Partnership	+Large PBM is a minority investor +JUDI licensed to Large PBM, making it no longer unique to CapitalRx +Partnered with MCCPDC	+Partnership with Costco pharmacy (part owner) +Partnered with CassianRx on patient platform +Joined CivicaScript as a founding member in 2022 +Archimedes for specialty UM +Lumicera Health Services for specialty pharmacy	+Partners with external specialty pharmacy network due to lack of drug access (Humana, McKesson, CVS, etc.)	+Partners with “disaggregators,” (e.g., Amazon/MCCPDC), only a standard in-network pharmacy deal +Partnered with Banjo Health (prior auth. tech)	+Partners with disaggregators to provide services +CEO was former Chief Strategy Officer of TrueScripts + Outsources many key functions , including mail-order
Service Considerations	+Serial entrepreneur CEO, could explore a sale of the company in the future + Prime/JUDI integration may impact service quality	+ Specialty pharmacies (Lumicera/Caremetx Health) are sub-scale , lacking drug access and clinical capabilities + No VBC programs	+ Customer service metrics significantly lagged ESI in most recent PSG PBM survey	+ VC-funding backed , which may result in investors exploring a sale to maximize profit	+ Limited Technology – relies on website entirely for information and member portal + Does not offer app for members

Don't wait: Now is the time to take action

Proactively share your performance with the market, clients and advisors. Highlight your years of experience and performance in managing cost and delivering care. Use these insights to create plan-specific sell-against messages for each competitor. Your experience and value run deep.

Recent Evernorth® Health Services examples shared in the market include the following:

- [Express Scripts by Evernorth Members Paid Less for Prescriptions in 2023 Despite Drug Price Increases | Evernorth](#)
- [PBM clients agree: Protect our pharmacy benefit tools | Evernorth](#)

Continue to allow groups to choose from different financial models to best suit their needs, including fully transparent offerings. Express Scripts by Evernorth offers a spectrum of contracting models for groups to choose from, ranging from a traditional model that prioritizes affordability to innovative new models that prioritize simplicity without compromising on transparency. Ask your account team about the ClearCareRx™ suite of contracting packages.

Encourage plan sponsors to continually evaluate low-cost benefit designs. Most plan sponsors remain addicted to rebates and could benefit from a clearer understanding of a holistic view of the true cost of care. Continue to educate your groups on the value of driving to the lowest net cost to protect the plan from future costs in a constantly shifting drug market. Providing the lowest option within the benefit prevents groups from carving out services and allows your Service Team to best support members in their care journeys.

Be bullish on specialty. We know every health plan and sponsor in the country is grappling with the rising cost of specialty medications. The prices of these medications are set by the manufacturers. While pharmaceutical companies continue to raise list prices year over year, we work behind the scenes to fight the trend by driving competition, negotiating with drugmakers and incentivizing the use of less expensive medicines that deliver the same clinical value.

For example, since June 2024, Accredo by Evernorth® has had Humira® biosimilar available for \$0 out-of-pocket for eligible patients. The high- and low-concentration interchangeable biosimilar is produced by Quallent Pharmaceuticals, through agreements with multiple manufacturers, and its list price is about 85% lower than Humira's.

In this ever-changing health care market, being knowledgeable, flexible, innovative and committed to delivering on what matters is critical. We will continue to partner with you and offer solutions and guidance to meet your, your employer's, and your patient's needs. Continue to work with our Growth and Account Team on specific needs.

