

'The Numbers Don't Add Up!'

By B. Douglas Hoey, RPh, MBA, National Community Pharmacists Association CEO

You've had a front row seat in the whole EpiPen controversy over Mylan increasing the price by 500% since it acquired the product. Recently, Heather Bresch, Mylan's CEO, took shots from members of the U.S. House Oversight and Government Reform Committee for over five hours. Unfortunately, only one hit the bullseye. The truth of the matter is that while Mylan's profiteering is culpable, it is not the only villain in this equation. The problem is that the pharmacy payment system in our country is so convoluted it's nearly impossible to follow the shell game.

WAC for EpiPen is \$608. Mylan *claims* it makes \$274. That means that PBMs, insurance plans, brokers, wholesalers, and pharmacies make a total of \$334. I checked with several independent pharmacies and they typically are paid \$25-\$35 above their cost on this particular product—your experience may vary. That's considerable more than they make on a typical prescription, but still only 4%-6% on their \$600 investment. Let's say that wholesalers make around \$20. That leaves approximately \$285 going to PBMs, insurance plans, and brokers—more than what the manufacturer makes.

Trying to Follow the EpiPen \$\$\$ Trail

Mylan	\$274
Wholesaler	\$20 (estimate)
Pharmacy	\$25-35

Rebates/Allowances: \$279-\$289

Health Plan	\$\$\$??
Broker	\$\$\$??
PBM	<u>\$\$\$??</u>

Consumer/Employer pays: \$608

Congress struggled to understand the pharmacy prescription pricing shell game that produces the above equation. Ranking member Rep. Elijah Cummings (D-Md.) said, "The numbers don't add up." Committee Chairman Rep. Jason Chaffetz (R-Utah) said, "Your numbers are so askew."

The reality is that when a consumer walks into a pharmacy with a prescription, more often than not he or she has no idea what the price of the prescription will be, the employer doesn't know how much they will be paying, and the pharmacist has no idea how much they will be paid. PBMs are the only entities that know the answers to these questions because they decide what the consumer will pay, what the employer will be charged, and what the pharmacy will be paid.

Committee members who read the excellent *Business Insider* article, "[These companies you've never heard of are about to incite another massive drug price outrage](#)," would have been a step ahead. The reporter does a great job breaking things down.

The members of the Oversight and Government Reform Committee got close with their questioning a number of times, but spent more time blasting Mylan—which it deserved—than solving the pricing shell game. A few members of the committee appeared to be trying to produce the best sound bite for their re-election campaigns, but most of them were trying to get a handle on a byzantine pharmacy prescription pricing model.

The one major exception was Rep. Buddy Carter (R-Ga.), the only pharmacist in Congress. Rep. Carter knows the games and his questions were like a battle drone on a precision mission to extract the extremists. He

repeatedly asked Bresch to share details about the rebate deals with PBMs. You especially won't want to miss [his part of the hearing!](#)

While Mylan is culpable for its actions, at least it does something. By that, I mean it at least produces a product and makes it available to the marketplace. Yes, I know epinephrine is dirt cheap and an auto-injector with the same general function has been around for decades, but the company at least provides something of tangible value to the consumer.

Similarly, the pharmacy ties up its capital by having the product available, takes risk it will get a prescription to sell the product, pays pharmacists to counsel the patient, complies with a mountain of state and federal regulations, and has the overhead associated with employing an average of about a dozen employees in their community. For that, its cut on this particular product is typically only \$25-\$35. As far as the PBMs, payers, and brokers accounting for the remaining \$279-\$289, what value to the consumer are they creating?