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## **New Study Reveals Discrepancies in Drug Pricing by Pharmacy Benefit Managers, Costing Employers and Hurting Pharmacies in Washington State**

Seattle, WA – The Washington State Pharmacy Association (WSPA) and Washington Health Alliance (WHA), in partnership with 3 Axis Advisors, released the results of a first-of-its-kind [study](#) that exposes the erratic pricing practices of pharmacy benefit managers (PBMs) in Washington State. The study, which was covered today in the [Wall Street Journal](#), reveals that PBMs charge employers vastly different amounts for the same prescription medications, inflate drug prices at PBM-affiliated mail-order pharmacies, and have driven an increase in employer health care costs over the past four years. Meanwhile, pharmacies are receiving lower reimbursements for the same prescriptions that employers are paying higher prices for, leading to closures of pharmacies while PBMs pocket the difference for profit.

The study investigated the experiences of Washington commercial plan sponsors (employers) and community pharmacies' with PBMs. It analyzed both sides of the PBM's drug transactions: what pharmacies are paid and what employers are charged for the same drug. This is the first time both sides of the PBM transactions have been analyzed in a single study.

"This data paints a stark picture that Washington pharmacists know all too well – most PBMs and their affiliates are raking in massive profits from a manipulative drug pricing system, leaving patients and providers to bear the brunt," said Jenny Arnold, PharmD, BCPS, Chief Executive Officer of WSPA. "If this exploitation is rampant in Washington, it's undoubtedly a nationwide crisis. Pharmacies are being forced to close their doors – impacting access to patient care. Federal action is urgently needed to confront and rectify the PBM problem."

Antonio Ciaccia, president of 3 Axis Advisors, said: "As the public clamors for relief from rising prescription drug costs, it is important to understand that PBMs play a central role in determining the fates of pharmacies, plan sponsors and patients. This study makes clear that PBMs have a knack for making drug pricing less clear, as the disparate nature of their price-setting makes the end impact of prescription drug transactions predictably unpredictable."

Among the study's key findings:

- For a subset of matched claims between the plan sponsors and the pharmacies, the average plan sponsor (employer) costs were **approximately \$165,000 higher (roughly 80% more on generic drug transactions)** than the reimbursement provided to pharmacies (approximately \$8 more per prescription).

- Plan sponsor (employer) costs **increased by 30%** while commercial pharmacy reimbursement **decreased by 3%** between 2020-2023.
- PBM-affiliated mail-order pharmacies had prescription markups that were **more than three times higher** than the markups at retail pharmacies.
- For a subset of claims comprised mostly of costly “specialty drugs,” plan sponsors were charged **more than \$1,000** in markups per prescription at PBM-affiliated mail-order pharmacies despite retail pharmacies typically filling those medicines at a loss.

“This study is groundbreaking. For the first time, we’re seeing “the spread,” or difference, between the prices pharmacy benefit managers (PBMs) charge employers for drugs to the actual amounts received by independent and chain pharmacies,” said Michele Ritala, Benefits Strategic Planner, King County, WA. “While the average spread was about \$25, the employers in the study paid hundreds of dollars more for some drugs per prescription. It’s a wake-up call.”

The study analyzed more than 6 million prescription claims from both independent and small chain pharmacies, as well as over 3 million prescription claims from private and commercial plan sponsors (employers) operating within the State of Washington.

The data shows that PBMs are incentivized to:

- Charge employers more than necessary to participate in plans.
- Pay pharmacies less than the cost of dispensing medicines – known as “spread pricing” – and pocket the difference.
- Steer plans and patients to PBM-affiliated mail-order pharmacies to increase PBM profits.

“Never before have we had this clear picture of the ways PBMs drive up costs for everyone involved in the prescription drug marketplace,” said Denise Giambalvo, Director of Member Engagement & Business Strategy, WHA. “Armed with this knowledge, employers should be reviewing their data and contracts for egregious pricing practices. It’s time to demand consultants and PBMs deliver contracts that significantly lower prescription costs for the patient and plan sponsor and provide equitable reimbursement for all pharmacies. If your partners cannot deliver, it’s time to make a change.”

Lisa Nelson, PharmD, Chief Pharmacy Officer at Unity Care Northwest, said: “It is challenging enough operating a pharmacy, let alone one that is working to assure affordable access to critical medicines and services to our patients regardless of their ability to pay. Doing this in a heavily consolidated and volatile PBM-controlled marketplace makes the work even more challenging. It is salt in the wound to discover that while PBMs underpay small pharmacies, they are simultaneously enriching the giant, out-of-state mail-order pharmacies that they also own.”

The full study can be found [here](#). *Wall Street Journal* coverage can be found [here](#).

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**About the Washington State Pharmacy Association (WSPA)**

Founded in 1890, the Washington State Pharmacy Association (WSPA) is a professional trade association representing pharmacists, technicians, student pharmacists and pharmacies in all practice settings. We are the home and voice of pharmacy practice and advocate on behalf of the profession to ensure pharmacy professionals are uniformly recognized as a vital member of the healthcare team.

**About Washington Health Alliance**

The Washington Health Alliance, a nonpartisan 501(c)(3) nonprofit, is the state's only independent multi-stakeholder collaborative bringing together more than 150 health care purchasers, health plans and provider organizations to drive market change and ensure equitable high-quality care that is accessible and affordable for all Washingtonians.