



BREAKOUT SESSION **A:**

THE REBATE MIRAGE:

ARE YOU SAVING MONEY OR LOSING CONTROL?



Sara King, PharmD

Pharmacy Solutions Consultant

Ethica Pharmacy Advisors

The Rebate Mirage

Are You Saving Money or Losing Control





Rebates Defined

What are they and why we have them

- Money paid by the drug manufacturer to reduce the cost of their drug
- Retrospective payment, paid to PBM 6 months after the claim
- Earned for preferred status on the PBM preferred drug list/formulary
- Generally paid for brand or specialty drugs
- May not include all monies returned to the PBM on your utilization's behalf!

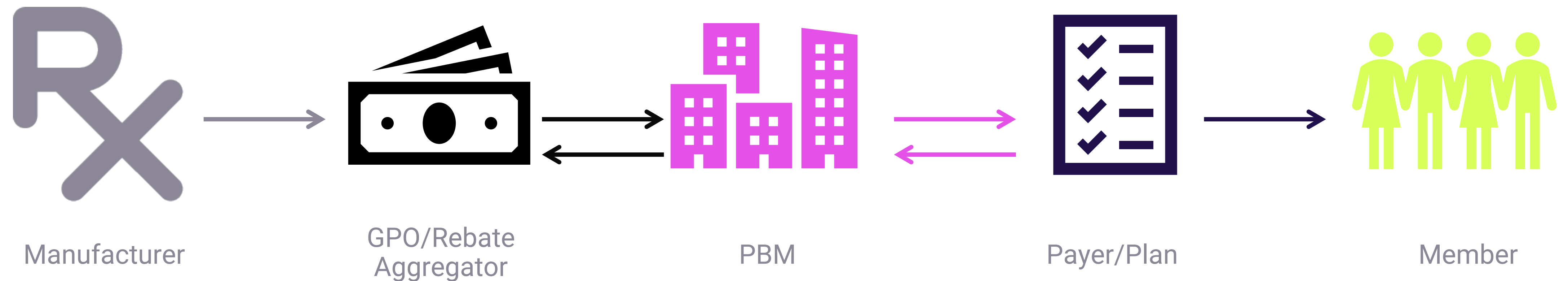
Formulary Placement

Understanding the Influence of Rebates

- Branded products often offer a substantial rebate when placed at a preferred tier on the formulary
- To promote use of the rebated brand drug, lower-cost drugs may be placed on a non-preferred tier or excluded entirely
 - This can increase the member out of pocket costs, and impact plan affordability
- To receive full rebates, utilization management criteria is often dictated by the manufacturer
 - Indications, lab tests, step therapy, quantity limits

Rebate Flow

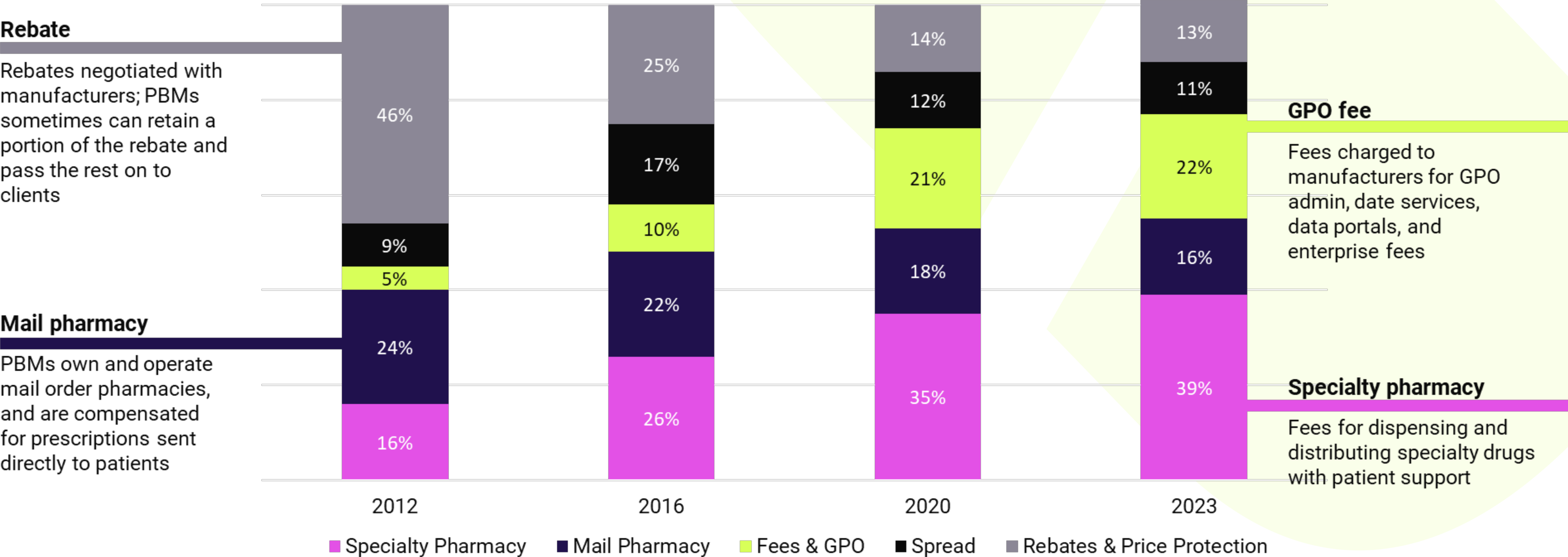
Multiple participants in the rebate chain



Dollars flow back and forth between plan and GPO

PBMs already pivoting their core service offerings

Distribution of PBM gross margins by business activity



Interconnected Relationships of PBMs, GPOs, and pharmacies

Vertical Business Relationships Within the U.S. Drug Channel, 2025

	BlueCross BlueShield	cigna	CENTENE Corporation	CVS Health	Humana	UNITEDHEALTH GROUP
Insurer	BlueCross BlueShield	cigna	Medical wellcare ambetter	aetna	Anthem Wellpoint	Humana
PBM	Prime Therapeutics ¹	Express Scripts	CENTENE PHARMACY SERVICES ⁵	CVS caremark	carelon ⁶	Humana Pharmacy Solutions
GPO	synergie ²	Ascent Health Services	—	zinc	synergie ²	—
Manufacturer	—	Quallent	—	cordavis	—	—
Wholesale distribution	—	CuraScript SD	—	—	—	Optum Frontier Therapies
Specialty/mail pharmacy	Prime Therapeutics Pharmacy ³	Accredo by Cytosure Freedom Fertility	AcariaHealth ⁴	CVS specialty	carelon ⁶ BioPlus	CenterWell Specialty Pharmacy
Retail/LTC pharmacy	—	—	—	CVS pharmacy Omnicare	—	—
Provider	—	Children's Care Group MDLIVE VillageMD ⁴	Community Magellan Health	CVS Oak St Health	carelon ⁶ carelon ⁶	CenterWell CenterWell conviva

PBM = pharmacy benefit manager; GPO = group purchasing organization; LTC = long-term care

1. Prime Therapeutics sources formulary relations from—amongst currently—several partners in—Ascent Health Solutions, which is part of Cigna's Evernorth segment.

2. Synergie is a buying group focused on medical benefit drugs. Its membership includes the Blue Cross Blue Shield (BCBS) Association, Prime Therapeutics, Cigna Health, and other independent BCBS health plans.

3. Prime Therapeutics Pharmacy was previously known as Magellan Rx Pharmacy. Prime's clients have the option to use Express Scripts for mail/specialty pharmacy services.

4. In 2021, Optum invested \$1.7 billion for an estimated 14% ownership stake in VillageMD. In 2024, it wrote down the full value of this investment. VillageMD's Oaks Alliance owns a majority of VillageMD.

5. Centene began outsourcing its PBM operations to Express Scripts in 2024. In 2025, Centene rebranded its Express Pharmacy Solutions pharmacy benefit subsidiary as Centene Pharmacy Services.

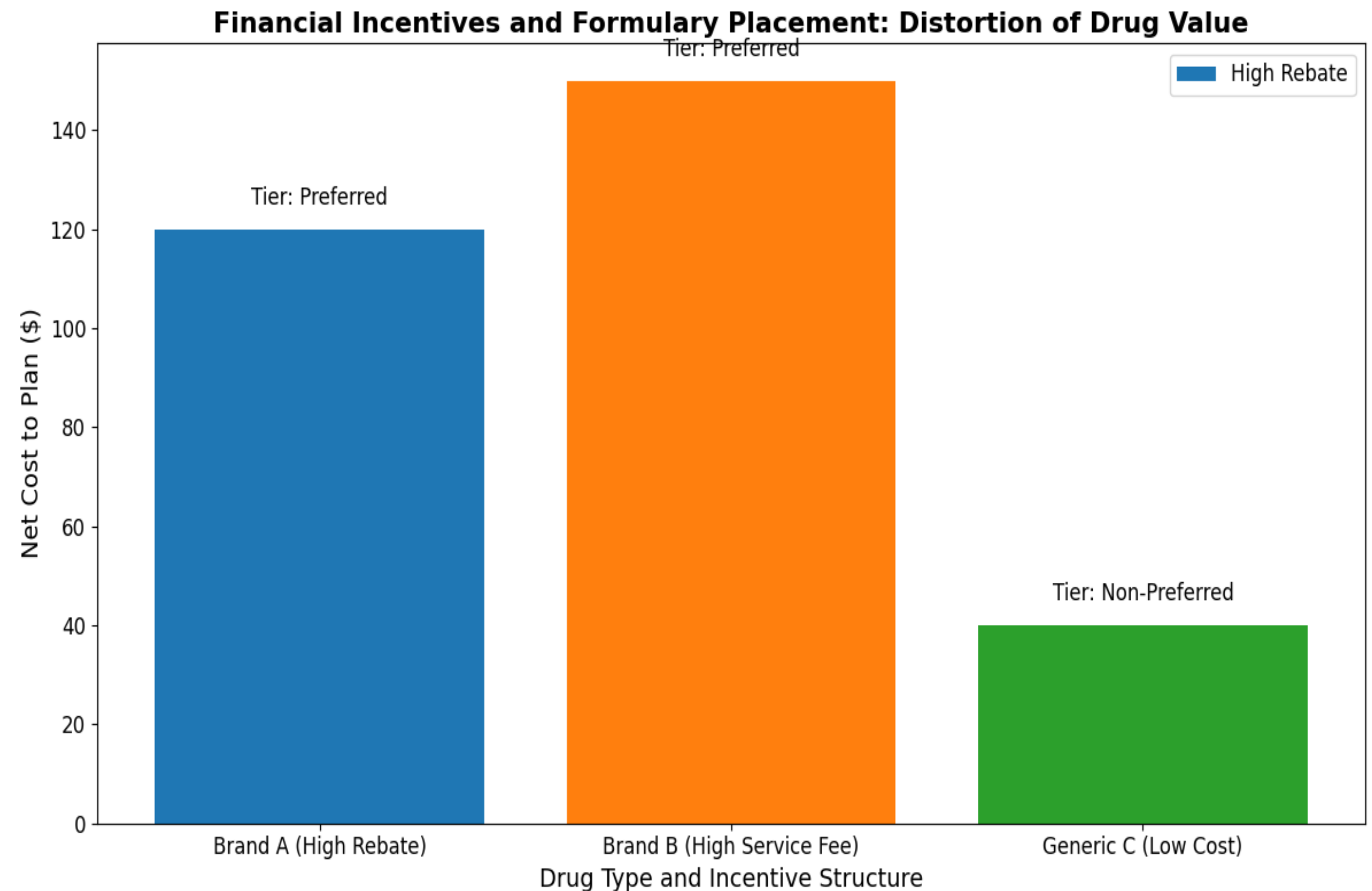
6. CVS Caremark provides certain PBM services to CenterWell business. CenterWell also sources formulary relations from—and has a minority interest in—Dis Health Services, which is a subsidiary of CVS Health.

Source: The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, Exhibit J61. Exhibit does not illustrate every subsidiary business operated by each company.

Rebate Value Distorted

Rebate guarantees, service fees, and GPO (Group Purchasing Organization) structures can inadvertently distort the true value of medications

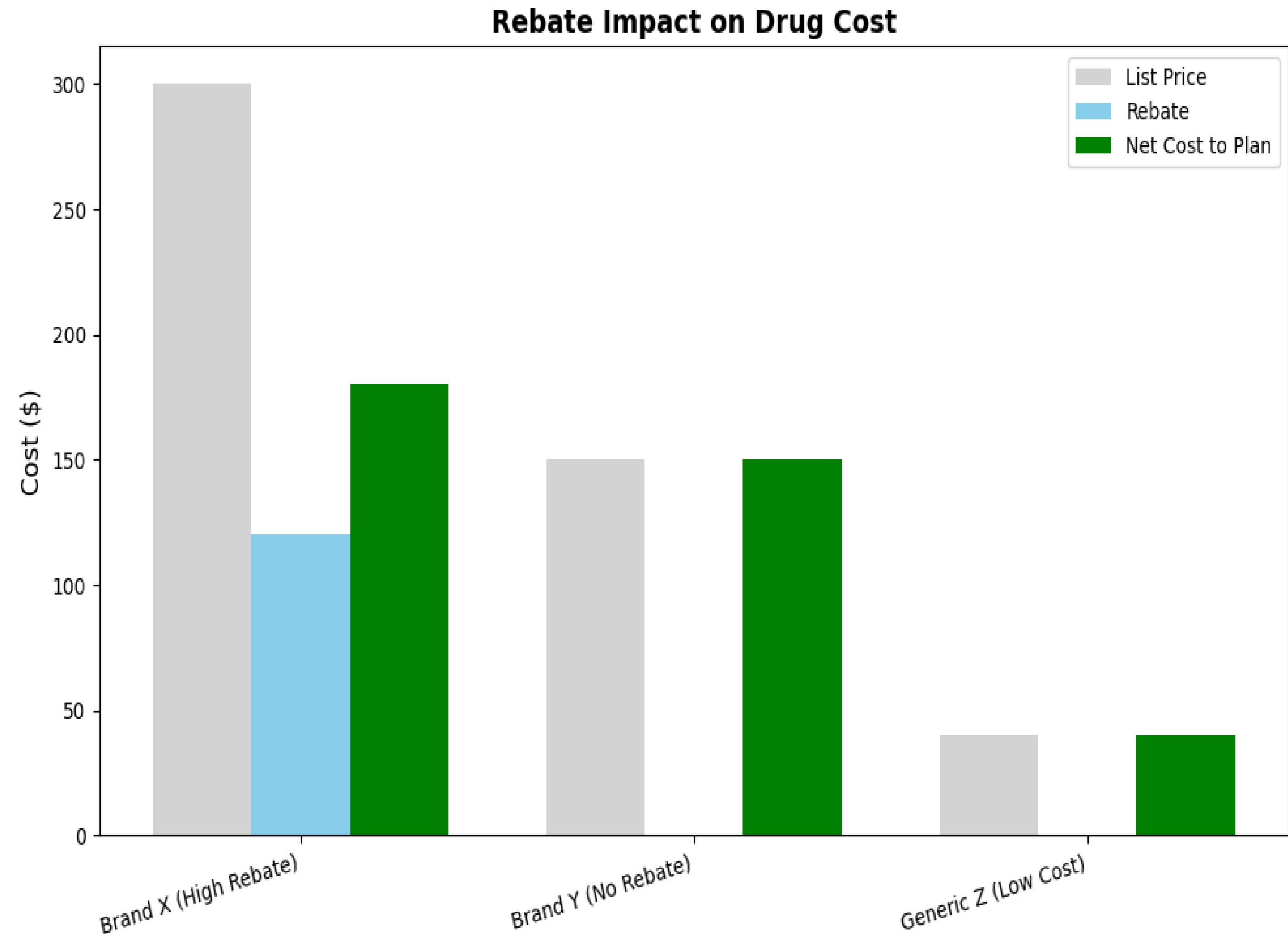
- Rebate guarantees –may prioritize high-cost drugs over value-based choices
- Service Fees—can incentivize formulary placement based on revenue, not outcomes
- GPO—these arrangements may reinforce formulary decisions that favor rebate-rich products
- Lower-cost products may be placed on non-preferred tiers despite better value



Savings on Paper vs real reductions in spend

Rebates can create an illusion of savings

- High list prices combined with rebates can still result in higher net spending
- Rebate-driven decisions can obscure true value and increase total cost of care
- Long reconciliation periods (180+ days)



Contract Terms to Watch For

Exclusion clauses

May exclude certain drug
categories and reduce
rebate dollars passed
through

Change in Scope

Reasons the PBM may
modify or amend the
rebate agreement

Audit rights

Plan restrictions may make it
difficult to verify actual rebate
pass-through

MAFs

Manufacturer Administrative
Fees: if not clearly defined as
rebates in the contract,
PBMs may avoid passing
through

Market Event

Industry changes that
allow the PBM to adjust
pricing

Rebate Credits

A contract term defined

- When the PBM actual rebates fall short of the guaranteed rebate amounts, the shortfall the PBM owes the client is reduced by the “Rebate Credit”
- Rebate Credits happen when:
 - Lower-cost biosimilar enters the market
 - Members switch from higher-rebate brand drugs to lower-rebate biosimilars
 - Market shifts to products that generate fewer rebates
- Credits are capped so they don't exceed the original rebate minus what's earned on the cheaper drug
- Protect the PBM from having to pay full rebate guarantees when the market naturally shifts toward lower-cost alternatives that generate smaller rebates
 - Biosimilars typically come with reduced rebate programs compared to their brand reference products

Fiduciary Compliance in PBM arrangements

Ensure transparency, cost-effectiveness, and legal compliance

- Contract Transparency
- Rebate Pass-through
- Fee Reasonableness
- Formulary Management
- Data Access and Reporting
- Compliance with CAA and ERISA
- Audit and oversight
- Conflict of interest mitigation

PBM Agreements

Traditional/Guaranteed

- Benefits: guaranteed rebates, lower upfront costs, bundled services
- Risks: lack of transparency, misaligned incentives, spread pricing, regulatory exposure

Transparent/Pass-Through

- Benefits: full rebate pass-through, aligned incentives, auditability, regulatory compliance
- Risks: higher admin fees, fewer bundled services, market availability

A “full pass-through” clause may sound transparent but can be misleading if not clearly defined

PBM may guarantee a per-claim rebate based on averages, while retaining excess rebates above the guaranteed amount

What Plans Can Do



Ask for visibility into agreements with rebate aggregators or subcontractors



Have clear definitions of rebate-related terms



Use market checks and year-over-year increases to keep rebate terms competitive



Confirm whether excess rebates above guarantee are retained or passed through



Consider working with a fiduciary model PBM (pass through pricing; no spread)

Learn More

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