



**Neighbourhood
Pharmacy**
Association of Canada

Association canadienne
**des pharmacies
de quartier**

1205-3230 Yonge Street
Toronto, ON M4N 3P6
T: 416.226.9100
F: 416.226.9185
info@neighbourhoodpharmacies.ca
neighbourhoodpharmacies.ca

Position Statement on Pharmacy Benefit Managers (PBMs)

Background

- A Pharmacy Benefit Manager (PBM) is loosely defined as a third-party provider that serves as an intermediary between insurers and pharmacies.
- PBMs typically administer prescription drug benefits and process claims on behalf of health plans and most if not all insurers use PBMs to adjudicate claims. Pharmacies must sign service contracts with PBMs in order to adjudicate claims online for these health plans.
- PBMs may also provide additional services ranging from formulary management and claims analysis, to negotiating pricing with pharmaceutical manufacturers in some circumstances.
- Currently, there are a small number of PBMs in Canada, with a handful of prominent players. Some insurance providers have established their own PBMs, providing both coverage and PBM services for the health plans they administer, while others have also vertically integrated pharmacy services into their operations.
- The oversight or regulation of PBM business practices and fee structures in Canada is unclear. For example, pharmacies have limited insight into how the fees they pay will be used to improve patient care or experiences, but few opportunities to opt out.
- Pharmacies are concerned about the increasing scale and ability of PBMs to operate with impunity in the Canadian healthcare system.
- Neighbourhood Pharmacies is also monitoring the PBM situation in the United States, where significant vertical integration and industry consolidation has occurred in PBM space, with negative impacts on patient access to medications and care.

Potential Risks and Consequence of PBMs: The US Experience

PBMs in the United States now wield a considerable amount of control over many layers of pharmacy services, adjudication and drug supply, with disturbing consequences and ongoing risks for patients and pharmacies, including:

- Undue influence on formulary decisions restricting patient choice of medication or provider;
- Increased potential for patient medication therapy choices to be disproportionately driven by financial or economic considerations rather than patient-centric clinical outcomes and professional expertise.

- Rise of anti-competitive market dominance that forces pharmacies to reduce services, curtail hours or even close, leading to medication access inequities, especially in rural areas.
- Overall lack of clarity surrounding fees paid by pharmacies or insurers, and potential diversion of fees into PBM profits, rather than supporting patient care or medication access
- Overly complex and opaque PBM administration systems that collect and hold considerable patient and pharmacoeconomic data, with little oversight as to how that data may be used, shared or protected.

The US experience of the evolution of PBMs paints a worrisome picture of the risks of allowing unregulated economically motivated interests to impact patient care and choice.

Our Position:

Neighbourhood Pharmacies believes the unregulated activity of PBMs in the Canadian pharmacy ecosystem poses a significant threat to the Canadian pharmacies and the patients they serve.

If left unchecked, the rising influence of PBMs in Canada could have significant consequences on patient access to medications and the ability of pharmacies to sustain patient care.

We believe Federal and/or Provincial Government oversight is essential to build an appropriate regulatory or policy framework governing the activity of PBMs in Canada, that will:

- Clarify the role of PBMs in the healthcare landscape.
- Limit the potential for conflicts of interest between patient best interests and financial profits.
- Increase the transparency of PBM operating practices.

As we engage with our members and key stakeholders to bring forward implementable solutions, Neighbourhood Pharmacies is calling on the Federal and Provincial Governments to work with pharmacy, payer and patient groups to immediately assess the short- and long-term risks of increased vertical integration and PBM influence on the Canadian pharmacy sector and the patients it serves and work towards establishing a policy framework to appropriately govern the activity of PBMs within the Canadian healthcare system.