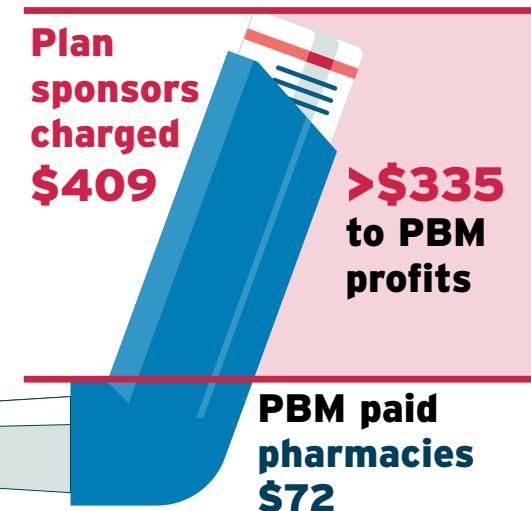


Employers, do you know how much you're paying PBMs?

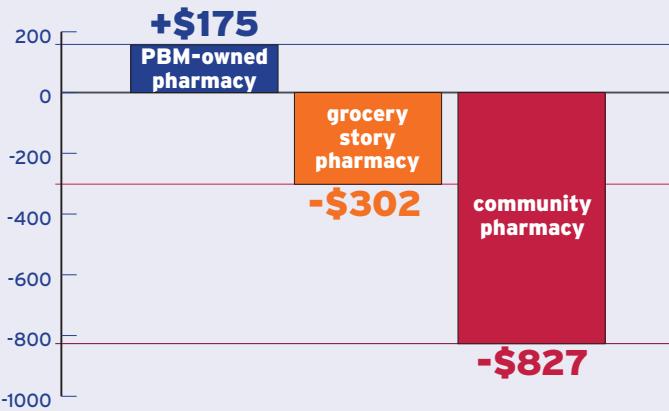
"Spread pricing" allows PBMs to pocket a LOT of the money that goes to your employee's medicines.

An analysis of 20,000 prescription drug insurance claims in Washington state from 2020 to 2023 showed a gap of more than \$8 between what PBMs paid retail pharmacies for each prescription they dispensed to employees and what PBMs charged plan sponsors.

Researchers found that PBMs charged plan sponsors an average of \$409 for a common long-acting inhaler for COPD, but they only paid pharmacies \$72 for it, on average. **More than \$335 PER PRESCRIPTION went somewhere else—likely to PBM profits.**



REIMBURSEMENT RATES

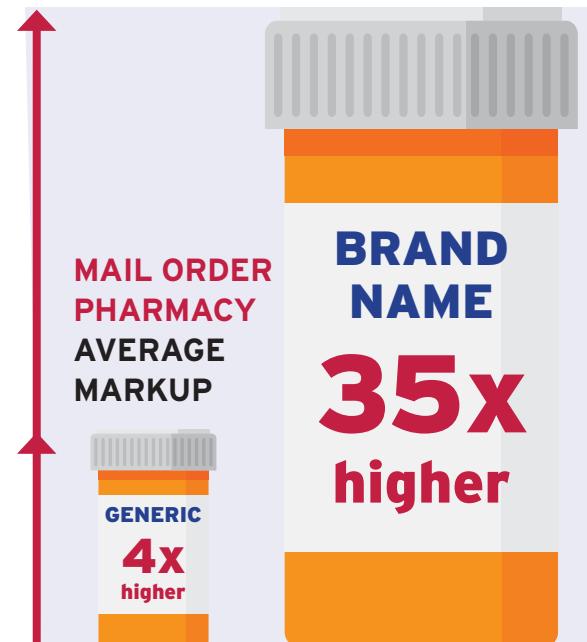


PBMs are bankrupting local pharmacies through under reimbursement, but the mail order pharmacies they own get paid better.

PBMs use sponsors' funds to reimburse mail order pharmacies **\$157 for a brand medicine above Wholesale Acquisition Cost (WAC)**. But the pharmacy at your grocery store? They reimbursed them **\$302 BELOW the WAC**. And your community pharmacy, on average, received **\$827 BELOW the WAC**. While PSMs are underpaying pharmacies, out-of-pocket costs are still rising for patients.

PBMs make money twice: first on the price spread for reimbursement, and second on the profits from their mail order pharmacies, which they generously reimburse.

PBM-affiliated mail order pharmacies also cost more. Data in Washington showed that average markups on **generics were four times higher** at mail order pharmacies than at grocery store pharmacies. For brand drugs, mail order pharmacies **made 35 times the profit** of small chain and independent pharmacies.





How can state legislatures address PBM profiteering?

Pharmacy Benefit Managers (PBM) tactics have increased costs for patients and healthcare purchasers all while driving community pharmacies out of business and failing to deliver on their promise to lower medication costs.

PBM reform can rein in drug costs while protecting pharmacies and patients.
Here's what states are trying:

A single PBM for Medicaid: In 2022, **Ohio** chose one vendor to run its Medicaid drug plans so that it could curb PBM profiteering. The state saved \$140 million in the first two years. Average dispensing fees rose from 73 cents to \$9, and the rate of pharmacy closures fell for the first time in five years.

State-operated prescription benefits: In 2018, **West Virginia** shifted its Medicaid prescription drug benefits from PBMs to a state-operated fee-for-service program. The move cut administrative costs by 85%, saving the state **almost \$57 million**. A similar effort netted **North Dakota \$17 million in just one year**. **California** estimated this approach would save at least \$150 million a year; **New York's** 2024 budget anticipated nearly \$1 billion of savings in a two-year transition. In 2024, Washington banned PBM spread pricing and mandatory mail order pharmacies.

Reimbursement regulation: In an attempt to stop the bleeding of pharmacy closures, about a dozen states require PBMs to match Medicaid reimbursements to rates established under their fee-for-service programs. Others prohibit PBMs from manipulating drug prices for their own profit.

Dismantle PBM monopolies: In April 2025 **Arkansas** banned PBMs from operating pharmacies in the state to stop them from favoring affiliated pharmacies at the expense of others. A federal judge blocked the law in July 2025, so its impact remains to be seen.

Virginia enacted SB875 to follow Ohio's example (2025).

Missouri, Tennessee, & Wisconsin also run their own fee-for-service programs.

California enacted SB41 to curb PBM practices (2025).

FURTHER RESEARCH:

REPORTS

[Understanding Drug Pricing from Divergent Perspectives: State of Washington Prescription Drug Pricing Analysis](#),
3 Axis Advisors, Jun 2024

[Ohio SPBM Program Review/Experience Analysis](#), Milliman, Apr 2025

[Understanding Pharmacy Reimbursement Trends In Oregon](#), 3 Axis Advisors, Oct 2022

[Pharmacy Savings Report, West Virginia Medicaid](#), Navigant, Apr 2019

ON PRICE CAPS

[Prescription Drug Affordability Boards: Potential Risks to Pharmacy Reimbursement](#), NASPA, Sept 2025

[Unpacking the Financial Impacts of Medicare Drug Price Negotiation](#), 3 Axis Advisors, Jan 2025

ON LEGISLATION

Review [California SB-41](#)

[Key Provisions: Comprehensive State PBM Regulation](#), NCPA