

# Prescription Rebate Guarantees: Employer Insights

Rochelle Henderson, PhD, MPA; Julie Patterson, PharmD, PhD; and John Michael O'Brien, PharmD, MPH

**P**harmacy benefits managers (PBMs) are intermediaries in the provision of pharmacy services hired by health plan sponsors to manage a network of pharmacies, create a list of covered drugs (ie, a formulary), and negotiate price concessions on covered drugs from pharmaceutical manufacturers.<sup>1</sup> These price concessions are paid by the manufacturer to the PBM after the prescription is dispensed, hence the term *rebate*.

Rebate arrangements between PBMs and employers are commonplace. More than 80% of employers report receiving money through rebates on traditional or specialty medications (ie, medications that are high cost, are used to treat complex illnesses, and/or require special handling), and the proportion of rebates received has increased over time.<sup>2,3</sup> Rebates collected by PBMs are often returned to employers throughout or at the end of a benefit year, typically as a flat dollar amount or percentage share of rebates collected per eligible prescription, with or without a minimum guaranteed amount.<sup>4,5</sup> Under a PBM rebate guarantee arrangement, employers are typically guaranteed a rebate amount for the length of the contract, often 3 years.<sup>6</sup> A recent survey of drug benefit decision makers found that 72% of respondents were in an arrangement (flat dollar amount or percentage share) with a minimum specialty drug rebate guarantee.<sup>5</sup>

Although rebate revenues are fungible and may be used by the plan sponsor for any purpose, they are reportedly used to reduce total health care costs, including lowering pharmaceutical costs, subsidizing other health care benefits, and reducing employee health insurance premiums.<sup>7</sup> However, research has linked higher rebates to higher list prices and higher out-of-pocket costs for patients, raising important questions about the equity of this approach.<sup>8,9</sup> This has led policy makers to increase their scrutiny of PBMs,<sup>10</sup> including investigating whether PBMs favor high-list price drugs with higher rebates over drugs with a lower net cost.<sup>11</sup>

As the use of rebates has grown, so has employers' reliance on employer benefits consultants to select a PBM. In a process referred to as spreadsheeting, benefits consultants will present employers with a model comparing competing PBMs' rebate guarantees as a means of identifying the best deal.<sup>12</sup> Although the simplified

## ABSTRACT

**OBJECTIVES:** To describe (1) rebate arrangements for specialty drugs, (2) the use and influence of benefits brokers and consultants, and (3) the importance of rebate-related factors when selecting a pharmacy benefits manager (PBM) among a sample of employers with self-funded pharmacy benefits.

**STUDY DESIGN:** A national survey of employer drug benefit decision makers (N = 110) for organizations with self-insured pharmacy benefits.

**METHODS:** We summarized respondents' current rebate agreements for specialty drugs and their perspectives on the importance of rebates and rebate guarantees overall as well as by type of rebate agreement and by the person or entity identified as most influential in rebate strategy.

**RESULTS:** Nearly two-thirds of employers reported having rebate agreements with a rebate guarantee for specialty drugs (n = 69; 62.7%). The person or entity most influential to rebate strategy decisions was often a benefits consultant (37.3%), a human resources/benefits leader (29.1%), or a benefits broker (21.8%). Employers with rebate guarantees ascribed a higher level of importance to guarantees when selecting a PBM [median [IQR], 9 [7-10]] than employers receiving rebates without a guarantee [7 [6-8]] and those who do not receive rebates [7.5 [4-9]] (P = .001).

**CONCLUSIONS:** These findings shed light on the importance of rebate guarantees and the role of employer benefits consultants and brokers in PBM selection. As the public discourse on PBMs and drug rebates continues, it is important to recognize the role employer benefits consultants may play in perpetuating employer reliance on guaranteed rebate arrangements.

*Am J Manag Care.* 2024;30(11):574-580. doi:10.37765/ajmc.2024.89585

spreadsheet model allows employers to pick the PBM offering the highest rebate revenue, it may obfuscate the overall financial impact on employers.<sup>13</sup> Rebate guarantee values presented are in aggregate—in essence, an average across all eligible prescriptions without regard to which drug is being dispensed. This obscures plan sponsors' visibility into the actual net prices of drugs on their formularies as well as the size of the rebates and other revenue (eg, administrative fees, formulary placement fees, inflation penalties) PBMs receive from manufacturers. This lack of transparency could result in decisions on the formulary inclusion of higher-cost products and higher overall total pharmacy costs.<sup>14</sup>

The observed rises in rebate arrangements and reliance on employer benefits consultants may reflect plan sponsors favoring the current rebate model and rebate guarantees over other arrangements. However, a survey of employers found that the majority favored ending drug rebates, but nearly as many wanted more information.<sup>14</sup> More recently, a media investigation described perceived conflicts of interest between PBMs and the employer benefits consultants and brokers advising employers on PBM selection<sup>15</sup>; these concerns have been echoed by academics encouraging employers to play a more active role in selecting and evaluating benefits consultants.<sup>16</sup>

Despite the recent attention given to pharmaceutical rebates, PBM practices, and benefits consultants, we are not aware of any research that has examined employers' perspective of rebate guarantees, dependency upon rebate dollars, and the role of rebate guarantee models used by employer benefits consultants in PBM selection.<sup>17</sup> A better understanding of the current model is important to employers participating in the current system and policy makers seeking to reform it, particularly as it relates to specialty drugs, which are anticipated to represent 56% of total spending in developed markets in 2027.<sup>18</sup> Although rebates account for a lower percentage of gross spending for specialty drugs than for nonspecialty drugs,<sup>19</sup> plan sponsors are increasingly using strategies to shift specialty drug administration to the pharmacy benefit to maximize rebates, and policy makers are questioning whether rebates explain the low uptake of specialty biosimilars.<sup>19,20</sup> Accordingly, further insights into employer perceptions of and experience with key aspects of the rebate model, specifically in specialty drugs, can inform public discourse about the model within the context of growing specialty drug use. The goal of this study was to describe (1) rebate arrangements for specialty drugs, (2) the use and influence of benefits brokers and consultants, and (3) the importance of rebate-related factors when selecting a PBM among a sample of employers with self-funded pharmacy benefits.

## METHODS

A national survey of employer drug benefit decision makers from Pharmaceutical Strategies Group's proprietary employer database

### TAKEAWAY POINTS

This study sheds light on employers' perspectives of rebate guarantees, dependency upon rebate dollars, and the role that pharmaceutical rebates or employer benefits consultants play in their pharmacy benefits manager (PBM) selection.

- ▶ The common occurrence of rebate guarantees in the study sample raises concern given that rebate guarantees may obscure employer visibility into the actual net prices of drugs, resulting in formulary inclusion of higher-cost products and higher overall total pharmacy costs.
- ▶ Employers should consider the role of employer benefits consultants in presenting drug contracting options and, ultimately, PBM selection.
- ▶ It is important to keep the employer perspective in mind when considering reforms to the current rebate-centric incentives of pharmacy benefit management.

was fielded in December 2022 using an online survey platform (Alchemer). Respondents were recruited via email, with a potential sample size of 2375 benefits leaders, although the proportion of emailed individuals who were eligible for the survey, received the email, or read the email was not known, resulting in an unknown overall response rate. To be eligible to participate in the survey, respondents must have self-identified as being involved in making decisions on or managing the pharmacy benefit for their organization, which must offer self-insured pharmacy benefits covering active employees. In appreciation for the respondents' time, they were offered a small incentive (\$20 gift card). Data collection did not include personal or institutional identifying information.

The survey collected information from employers on organizational characteristics (eg, total lives covered, state with the largest number of covered lives), their current PBM rebate arrangements for specialty drugs (eg, percentage share of rebates, rebate guarantees), and the most influential individual or group in the rebate strategy for their last pharmacy benefits request for proposal (RFP) process (eg, benefits broker, benefits consultant, human resources [HR]/benefits leader). Organizations were classified as having rebate guarantees if they responded as having any of the following types of rebate arrangements for specialty drugs: 100% of rebates, minimum guarantee; flat guaranteed amount per specialty prescription; or percentage share of rebates, minimum guarantee per specialty prescription. Respondents were also asked to indicate whether they had asked for and/or been presented with alternatives to rebate-based approaches to cost savings.

The survey collected respondents' perspectives on the importance of rebates and rebate guarantees using 3 approaches. First, respondents were asked to rate the broad importance of several cost-, rebate-, and rebate guarantee–related factors on a scale of 1 to 10, with 1 being not important at all and 10 being very important. Next, respondents were asked to rank 5 factors in order of priority when selecting a PBM in the RFP process: pharmacy cost trend, rebate guarantees, clinical programs, managing total cost of care, and access to their data. Finally, respondents were asked to indicate, on a 5-point Likert-type scale, the importance of 3 aspects of rebate guarantees in their choice of a PBM vendor.

**TABLE 1.** Characteristics of Employers and Plan, Overall and by Type of Current Rebate Agreement on Specialty Drugs

Characteristic	Overall (N = 110)	Type of current rebate agreement on specialty drugs		
		No rebates (n = 15; 13.6%)	Rebates with guarantee (n = 69; 62.7%)	Rebates without guarantee (n = 26; 23.6%)
Covered lives				
≤ 5000	50 (45.5%)	11 (73.3%)	23 (33.3%)	16 (61.5%)
5001-10,000	17 (15.5%)	0 (0.0%)	15 (21.7%)	2 (7.7%)
10,001-25,000	21 (19.1%)	2 (13.3%)	15 (21.7%)	4 (15.4%)
≥ 25,001	22 (20.0%)	2 (13.3%)	16 (23.2%)	4 (15.4%)
Region with largest number of covered lives**				
West	16 (14.6%)	2 (13.3%)	10 (14.5%)	4 (15.4%)
South	35 (31.8%)	6 (40.0%)	21 (30.4%)	8 (30.8%)
Midwest	35 (31.8%)	3 (20.0%)	23 (33.3%)	9 (34.6%)
Northeast	24 (21.8%)	4 (26.7%)	15 (21.7%)	5 (19.2%)
Coverage				
Active employees only	59 (53.6%)	10 (66.7%)	32 (46.4%)	17 (65.4%)
Active employees and retirees	51 (46.4%)	5 (33.3%)	37 (53.6%)	9 (34.6%)
Most influential in rebate strategy for last request for proposal process*				
Benefits consultant	41 (37.3%)	3 (20.0%)	33 (47.8%)	5 (19.2%)
Benefits broker	24 (21.8%)	3 (20.0%)	13 (18.8%)	8 (30.8%)
HR/benefits leader	32 (29.1%)	6 (40.0%)	15 (21.7%)	11 (42.3%)
Other	13 (11.8%)	3 (20.0%)	8 (11.6%)	2 (7.7%)
Alternatives to rebate-focused approaches to savings				
I've asked for alternatives	15 (13.6%)	3 (20.0%)	9 (13.0%)	3 (11.5%)
I've been presented with alternatives	31 (28.2%)	2 (13.3%)	20 (29.0%)	9 (34.6%)
I've asked for and been presented with alternatives	28 (25.5%)	2 (13.3%)	20 (29.0%)	6 (23.1%)
No	36 (32.7%)	8 (53.3%)	20 (29.0%)	8 (30.8%)

HR, human resources.

\* $P \leq .10$ ; \*\* $P \leq .05$ ; overall difference based on Fisher exact test.

Analysis related to respondents' perspectives on the importance of rebates and rebate guarantees was conducted in the overall sample, by type of rebate and guarantee agreement for specialty drugs (ie, no rebates, rebates with rebate guarantee, rebates without rebate guarantee), and by the person or entity identified as most influential in rebate strategy. Descriptive and bivariate statistical analyses, including counts (proportions) and Fisher exact tests for categorical data as well as median (IQR) and Kruskal-Wallis tests for continuous data, were conducted using Stata 17.0 (StataCorp LLC).

## RESULTS

### Employer Characteristics and Rebate Agreements

One hundred and thirty-two leaders from self-insured employers responded, yielding 110 complete responses. Employers were most often small ( $\leq 5000$  covered lives; 45.5%) but also commonly medium (5001-10,000; 15.5%), large (10,001-25,000; 19.1%), and jumbo ( $\geq 25,001$ ; 20.0%) contracts (Table 1). When asked for the state where the largest number of the employers' covered lives reside, participants most often reported states in the South (31.8%) or

Midwest (31.8%). A slight majority of plans covered active employees only (53.6%); fewer reported also covering retirees in addition to active employees ( $n = 51$ ; 46.4%).

Regarding the structure of rebate agreements on specialty drugs, nearly two-thirds of employers reported being paid rebates with some type of guarantee ( $n = 69$ ; 62.7%), whereas fewer reported receiving rebates with no guarantee ( $n = 26$ ; 23.6%) or no rebates ( $n = 15$ ; 13.6%). Within these 3 overarching types of agreements, the specific structure of the rebate agreements for specialty claims varied and included 100% rebates with ( $n = 40$ ) or without ( $n = 9$ ) a guarantee; a percentage share with ( $n = 18$ ) or without ( $n = 17$ ) a guarantee; or a flat guaranteed amount per prescription ( $n = 11$ ). Nearly three-fourths (73.3%) of employers reporting not receiving rebates were small employers ( $\leq 5000$  lives); in contrast, only a third of employers with rebate guarantees (33.3%) were small. Types of agreements did not vary across geographic region.

### Use of Benefits Consultants and Brokers

The person or entity most influential to an employer's decisions about rebate strategy was most often a benefits consultant (37.3%),

**TABLE 2.** Plan Characteristics and Presentation of Alternatives to Rebate-Focused Approaches to Savings, Overall and by Most Influential Person/Entity in Rebate Strategy for Last Request for Proposal Process

Characteristic	Overall (N = 110)	Most influential person/entity in rebate strategy			
		Benefits consultant (n=41)	Benefits broker (n=24)	HR/benefits leader (n=32)	Other (n=13)
Covered lives*					
≤ 5000	50 (45.5%)	14 (34.1%)	14 (58.3%)	16 (50.0%)	6 (46.2%)
5001-10,000	17 (15.5%)	10 (24.4%)	5 (20.8%)	1 (3.1%)	1 (7.7%)
10,001-25,000	21 (19.1%)	9 (22.0%)	4 (16.7%)	7 (21.9%)	1 (7.7%)
≥ 25,001	22 (20.0%)	8 (19.5%)	1 (4.2%)	8 (25.0%)	5 (38.5%)
Region with largest number of covered lives					
West	16 (14.5%)	7 (17.1%)	4 (16.7%)	1 (3.1%)	4 (30.8%)
South	35 (31.8%)	11 (26.8%)	10 (41.7%)	11 (34.4%)	3 (23.1%)
Midwest	35 (31.8%)	13 (31.7%)	9 (37.5%)	10 (31.3%)	3 (23.1%)
Northeast	24 (21.8%)	10 (24.4%)	1 (4.2%)	10 (31.3%)	3 (23.1%)
Coverage**					
Active employees only	59 (53.6%)	20 (48.8%)	20 (83.3%)	14 (43.8%)	5 (38.5%)
Active employees and retirees	51 (46.4%)	21 (51.2%)	4 (16.7%)	18 (56.3%)	8 (61.5%)
Alternatives to rebate-focused approaches to savings					
I've asked for alternatives	15 (13.6%)	6 (14.6%)	4 (16.7%)	3 (9.4%)	2 (15.4%)
I've been presented with alternatives	31 (28.2%)	15 (36.6%)	4 (16.7%)	10 (31.3%)	2 (15.4%)
I've asked for and been presented with alternatives	28 (25.5%)	9 (22.0%)	5 (20.8%)	9 (28.1%)	5 (38.5%)
No	36 (32.7%)	11 (26.8%)	11 (45.8%)	10 (31.3%)	4 (30.8%)

HR, human resources.

\* $P \leq .10$ ; \*\* $P \leq .05$ ; overall difference based on Fisher exact test.

HR/benefits leader (29.1%), or benefits broker (21.8%). Employers who reported benefits brokers as most influential for rebate strategy were commonly small employers (58.3%), covering active employees only (83.3%), and located in the South (41.7%) or Midwest (37.5%) (Table 2). In contrast, employers who reported benefits consultants as most influential were more evenly distributed by size, geographic region, and coverage. A higher proportion of employers who responded that benefits consultants were most influential to their decisions about rebate strategy had rebate agreements with guarantees (33 of 41; 80.5%) than those in organizations where benefits brokers (13 of 24; 54.2%), HR/benefits leaders (15 of 32; 46.9%) or others (8 of 13; 61.5%) were most influential, although the difference was not significant ( $P = .058$ ) (Table 1).

Nearly a third of respondents had neither asked for nor been presented with alternatives to rebate-focused approaches to cost savings (32.7%), including 45.8% and 26.8% of respondents who reported that a benefits broker or consultant, respectively, was most influential to the employer's decision about rebate strategy. Fifteen respondents (13.6%) reported asking for—but not being presented with—alternatives to rebate-focused approaches. The majority of employers who were not receiving rebates had not asked about or been presented with alternatives to rebate-focused approaches (53.5%).

### Perceptions of Important Factors in Rebate Environment

On a scale of 1 (“not important at all”) to 10 (“very important”) respondents ascribed very high importance to obtaining the lowest net cost with or without rebates (median [IQR], 10 [9-10]) (Table 3). Transparency into the pharmaceutical rebate system was also seen as very important (9 [8-10]). The importance of using rebates to lower employees’ insurance premiums was numerically of lower and more variable importance across respondents (8 [5-9]). The roles of rebate guarantees in lowering pharmaceutical cost trends (8 [6-10]) and in the RFP process (8 [7-9]) were seen as moderately to very important.

Employers with rebate guarantees ascribed a higher level of importance to guarantees in the RFP process (median [IQR], 9 [7-10]) than employers receiving rebates without a guarantee (7 [6-8]) and those who do not receive rebates (7.5 [4-9]) (overall  $P = .001$ ). Other perceptions of the rebate environment were similar across respondents in the 3 broad types of rebate agreements.

### Considerations and Factors in the RFP Process and Vendor Selection

Of the 5 factors ranked by respondents according to importance in the RFP process, total cost of care and pharmacy cost trends were ranked as the most important factors among all respondents (Figure).

**TABLE 3.** Importance of Selected Factors in Rebate Environment, Overall and by Type of Current Rebate Agreement on Specialty Drugs

Importance of selected factors, median (IQR) <sup>a</sup>	Type of current rebate agreement on specialty drugs			
	Overall (N = 110)	No rebates (n = 15)	Rebates with guarantee (n = 69)	Rebates without guarantee (n = 26)
Obtaining the lowest net cost with or without rebates	10 (9-10)	10 (8-10)	10 (9-10)	9.5 (9-10)
Transparency into the pharmaceutical rebate system	9 (8-10)	9 (7-10)	10 (8-10)	9.5 (8-10)
Pharmaceutical rebate guarantees lowering pharmaceutical cost trends	8 (6-10)	8 (5-10)	8 (7-10)	7.5 (6-9)
Pharmaceutical rebate guarantees as a factor for selecting a PBM in your RFP process <sup>***</sup>	8 (7-9)	7.5 (4-9)	9 (7-10)	7 (6-8)
Pharmaceutical rebates used to lower employees' insurance premiums	8 (5-9)	8.5 (6-10)	8 (5-9)	7.5 (5-8)

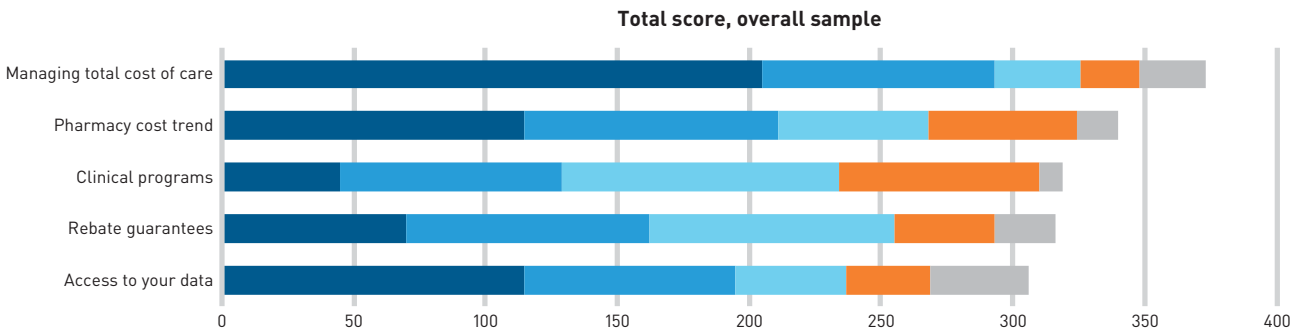
PBM, pharmacy benefits manager; RFP, request for proposal.

<sup>\*\*\*</sup> $P \leq .01$ ; overall difference based on Kruskal-Wallis test.

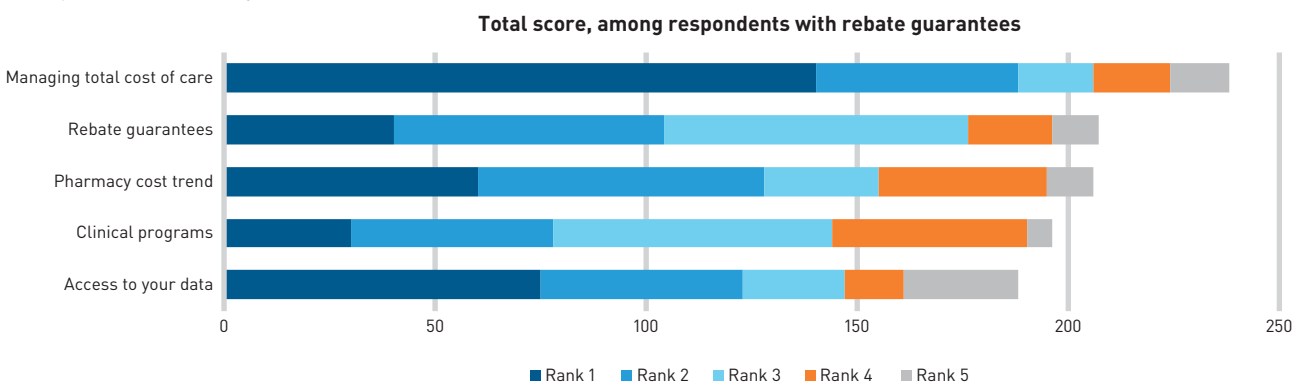
<sup>a</sup>Scale of 1 ("not important at all") to 10 ("very important").

**FIGURE.** Ranked Importance of 5 Key Factors When Selecting a Pharmacy Benefits Manager in the Request for Proposal Process<sup>a</sup>

**A.** Overall sample (N = 110)



**B.** Respondents with rebate guarantees (n = 69)



<sup>a</sup>Total score was calculated by multiplying the number of respondents who assigned a factor each rank by the weight of that rank (ie, ranked first: 5; ranked second: 4; ranked third: 3; ranked fourth: 2; ranked fifth: 1).

However, among respondents with rebate guarantees, guarantees were ranked as the second most important factor after managing total cost of care and ahead of pharmacy cost trend.

When asked to rate the importance of particular aspects of rebate guarantees in their choice of a PBM vendor, similar proportions of

the overall sample rated as very or extremely important the size of the rebate guarantee (59.1%), the growth of the percentage or total dollars of the rebate guarantee over time (53.6%), and having a multiyear rebate guarantee contract (59.1%). More respondents with rebate guarantees rated a multiyear rebate guarantee contract



as very or extremely important (66.7%) than their counterparts receiving rebates without guarantees (46.2%).

## DISCUSSION

PBMs and drug rebates are a new target of criticism in the drug pricing debate.<sup>10</sup> New entrants to the PBM marketplace offering lower costs and greater transparency have had limited success to date in offering branded drugs to employers, with newer partnerships between a large payer and innovative models still in the early phases.<sup>21</sup> Our findings represent the first peer-reviewed research into how employers may value rebate dollars when comparing proposals from competing PBMs and the role of employer benefits consultants in choosing a rebate strategy.

Overall, this study found that nearly two-thirds (62.7%) of employers with self-funded pharmacy benefits reported current rebate agreements for specialty drugs that include a rebate guarantee. The high prevalence of rebate guarantees in our study sample raises concern given that rebate guarantees may obscure employer visibility into the actual net prices of drugs,<sup>12</sup> resulting in formulary inclusion of higher-cost products and higher overall total pharmacy costs.<sup>13</sup> Furthermore, small employers made up the vast majority of respondents reporting agreements on specialty drugs that do not include pass-through rebates (73.3%), consistent with past reports that receipt of specialty drug rebates varies by employer size.<sup>22</sup> At the same time, most employers who did not report receiving rebates had not been presented with alternatives to rebate-focused approaches to savings, suggesting that these employers are not affirmatively choosing alternatives to common rebate structures.

Our survey results also illustrate the significant role that employer benefits consultants and brokers play in selecting a rebate contracting strategy, as nearly 60% of employer respondents indicated that consultants or brokers were the most influential individual or group in their rebate strategy during their last PBM selection process. Given that administrative challenges and costs of navigating the incentives and complexity of the pharmaceutical ecosystem may be contributing to employer use of consultants or brokers, this finding underscores the important questions being asked about the financial incentives that may lead employer benefits consultants to recommend a particular vendor during the contracting process.<sup>14,16</sup>

Furthermore, our results describe an association between employers working with benefits consultants and the importance of guaranteed rebate amounts when selecting a PBM. Employers identifying a benefits consultant as most influential to their most recent PBM selection process were more likely to be in a rebate guarantee arrangement and were often not presented with alternatives to rebate-focused approaches. Taken together, the results may suggest a reluctance of consultants and brokers to present or recommend to employers alternatives to rebate guarantees. Most plan sponsors are subject to the Employee Retirement Income Security Act of 1974 (ERISA), which established federal standards for employer health plans.<sup>1</sup> As such, employers have a fiduciary

responsibility to operate the plan solely in the best interest of participants and beneficiaries. The Consolidated Appropriations Act of 2021 amended ERISA, creating new requirements for covered service providers such as employer consultants and benefits brokers to disclose to plan sponsors any direct or indirect compensation they receive,<sup>23</sup> but unlike employers who hold a fiduciary responsibility, consultants and brokers do not hold a fiduciary relationship with employees, thus there is no obligation to prioritize the employer's interest over their own. In light of recent legal action,<sup>24</sup> employers may wish to better understand the financial incentives of their consultants and brokers when accepting their recommendations for rebate contracting strategies and pharmacy benefit design.

These are important findings to consider as public scrutiny of pharmaceutical benefit management practices has reemerged,<sup>25</sup> including a Federal Trade Commission study examining PBMs' influence in the pharmaceutical ecosystem<sup>26</sup> and multiple bills calling for increased transparency and oversight of PBMs and delinking the compensation of PBMs from drug price and utilization. At the heart of this public scrutiny is concern over pharmaceutical rebates, including the influence rebates have on formulary placement, their impact on prescription drug pricing, and their impact on patient access to prescription medications. Policy makers investigating the role of PBMs should also understand the role of employer benefits consultants and brokers and the use of rebate guarantees in plan sponsors' selection of PBMs and PBM offerings.

### Limitations

Our study has limitations to consider. First, the data were self-reported and therefore subject to response bias, and they may not be representative of a broader employer population. Second, employers who chose to participate relative to those who did not participate in the survey may introduce selection bias and impact the generalizability of the results. Both are known and accepted biases in survey research. Our response rate, if calculated from the maximum potential sample size of every contacted individual who received and read the email (2375; 4.6%), is nonetheless in a similar range of the response rate for firms with more than 200 employees in the large, annually published Employer Health Benefits Survey.<sup>27</sup> Although the sample size of 110 respondents may limit study generalizability, the sample included employers spanning geographic regions within the US and employers with varying numbers of covered lives. The sample size likely also constrained our ability to detect statistical significance; however, the descriptive results here contribute to the gap in research examining employers' perspective of rebate guarantees and further serve a hypothesis-generating role. Finally, nearly half of employers (46.4%) indicated offering some coverage for retirees, which, if provided through Medicare Part D employer group waiver plans (EGWPs), may have different rebate arrangements and contracting decisions. However, respondents were identified from an employer database and must have answered that active employees were covered under their pharmacy benefits. They were surveyed about a singular "current PBM contract," and,

given their method of recruitment (ie, an employer database) and that the number of nonelderly covered lives with health benefits (~153 million)<sup>26</sup> far exceeds that of the EGWP population (~5.6 million),<sup>28</sup> it is most likely that employers referred to their pharmacy benefits provided in the context of traditional employee health benefits when responding to the survey.

## CONCLUSIONS

These findings shed light on the importance of rebate guarantees for specialty drugs and the role of employer benefits consultants and brokers in PBM selection. Despite research linking drug rebates to higher list prices and higher out-of-pocket costs, our research found that a majority of employers with self-funded pharmacy benefits reported the use of rebate guarantee agreements for specialty drugs. These findings also provide insight into the influence of employer benefits consultants and brokers on the PBM selection process and the frequency with which employers are not presented alternatives to rebate-focused approaches to savings. Finally, the cycle of rebate guarantees feeds itself, as those who currently have rebate guarantees rank their importance as higher than those without rebate guarantees when selecting a PBM. As the public discourse on PBMs and drug rebates continues, it is important to recognize the role that employer benefits consultants may play to perpetuate employer reliance on guaranteed rebate arrangements. ■

**Author Affiliations:** National Pharmaceutical Council (RH, JP, JMO), Washington, DC.

**Source of Funding:** National Pharmaceutical Council.

**Author Disclosures:** Drs Henderson, Patterson, and O'Brien are currently or were employed by the National Pharmaceutical Council at the time of the research. Dr O'Brien is a member of the editorial board of *The American Journal of Managed Care*.

**Authorship Information:** Concept and design (RH, JMO); analysis and interpretation of data (JP); drafting of the manuscript (RH, JP, JMO); statistical analysis (JP); administrative, technical, or logistic support (RH, JMO); and supervision (RH, JMO).

**Address Correspondence to:** John Michael O'Brien, PharmD, MPH, National Pharmaceutical Council, 717 Pennsylvania Ave NW, Ste 800, Washington, DC 20006. Email: john.obrien@npcnow.org.

## REFERENCES

1. Mattingly TJ II, Hyman DA, Bai G. Pharmacy benefit managers: history, business practices, economics, and policy. *JAMA Health Forum*. 2023;4(11):e233804. doi:10.1001/jamahealthforum.2023.3804
2. Fein AJ. Employers slowly warm to point-of-sale rebates—but must move faster for insulin. *Drug Channels*. September 19, 2019. Accessed February 15, 2023. <https://www.drugchannels.net/2019/09/employers-slowly-warm-to-point-of-sale.html>
3. Fein AJ. Employers are absorbing even more manufacturer rebates from their PBMs. *Drug Channels*. March 12, 2019. Accessed February 15, 2023. <https://www.drugchannels.net/2019/03/employers-are-absorbing-even-more.html>
4. Alston M, Dieguez G, Tomicki S. A primer on prescription drug rebates: insights into why rebates are a target for reducing prices. Milliman. May 20, 2018. Accessed February 15, 2023. <https://www.milliman.com/en/insight/-/media/Milliman/importedfiles/uploadedfiles/insight/2018/prescription-drug-rebates.ashx>
5. Trends in specialty drug benefit design: rebates. PSG. June 6, 2022. Accessed March 1, 2023. <https://www.psgconsults.com/blog/trends-in-specialty-drug-benefit-design-rebates/>
6. McEachern S, Cambel P. PBM contracts: understand then optimize. Milliman. August 3, 2020. Accessed February 15, 2023. <https://us.milliman.com/-/media/milliman/pdfs/articles/pbm-contracts-understand-then-optimize.ashx>
7. *Employer Perspectives on Rebates: Survey Findings*. PSG; 2023. Accessed April 4, 2024. [https://www.pcmnet.org/wp-content/uploads/2023/11/Report\\_EmployeeRebates2023\\_PCMA.pdf](https://www.pcmnet.org/wp-content/uploads/2023/11/Report_EmployeeRebates2023_PCMA.pdf)
8. Yeung K, Dusetzina SB, Basu A. Association of branded prescription drug rebate size and patient out-of-pocket costs in a nationally representative sample, 2007–2018. *JAMA Netw Open*. 2021;4(6):e2113393. doi:10.1001/jamanetworkopen.2021.13393
9. Sood N, Ribero R, Ryan M, Van Nuys K. *The Association Between Drug Rebates and List Prices*. USC Schaeffer Center; February 2020. Accessed May 12, 2023. [https://healthpolicy.usc.edu/wp-content/uploads/2020/02/SchaefferCenter\\_RebatesListPrices\\_WhitePaper.pdf](https://healthpolicy.usc.edu/wp-content/uploads/2020/02/SchaefferCenter_RebatesListPrices_WhitePaper.pdf)
10. Mattingly TJ II, Lewis M, Socal MP, Bai G. State-level policy efforts to regulate pharmacy benefit managers (PBMs). *Res Social Adm Pharm*. 2022;18(11):3995–4002. doi:10.1016/j.sapharm.2022.07.045
11. Menendez slams pharmacy benefits managers practices that prioritize profits and drive up the cost of prescription drugs for patients. News release. Senator Bob Menendez; March 30, 2023. Accessed June 20, 2023. <https://www.menendez.senate.gov/newsroom/press/sen-menendez-slams-pharmacy-benefits-managers-practices-that-prioritize-profits-and-drive-up-the-cost-of-prescription-drugs-for-patients>
12. Kamal M. Shifting the PBM paradigm. LinkedIn. February 25, 2021. Accessed April 2, 2024. <https://www.linkedin.com/pulse/shifting-pbm-paradigm-mostafa-kamal/>
13. Brown EF. *Model Pharmacy Benefit Manager Contract Terms*. National Academy for State Health Policy; 2020. Accessed February 15, 2023. <https://www.nashp.org/wp-content/uploads/2020/01/New-Model-PBM-Contract-final-convert-to-pdf-1.27.20.pdf>
14. Motheral BR, Fairman KA. Changes in PBM business practices in 2019: true innovation or more of the same? *J Manag Care Spec Pharm*. 2020;26(10):1325–1333. doi:10.18553/jmcp.2020.20213
15. Herman B. It's beyond unethical: opaque conflicts of interest permeate prescription drug benefits. *STAT*. June 20, 2023. Accessed June 20, 2023. <https://www.statnews.com/2023/06/20/pbms-consulting-firms-investigation/>
16. Bai G, Socal MP, Anderson GF. Policy options to help self-insured employers improve PBM contracting efficiency. *Health Affairs Forefront*. May 29, 2019. doi:10.1377/forefront.20190529.43197
17. Cohen J. Is it rational for employers and payers to be hooked on prescription drug rebates? *Forbes*. December 10, 2018. Accessed January 19, 2023. <https://www.forbes.com/sites/joshuacohen/2018/12/10/is-it-rational-for-employers-and-payers-to-be-hooked-on-prescription-drug-rebates/?sh=59f15a0f7dad>
18. *The Global Use of Medicines 2023*. IQVIA; January 18, 2023. Accessed May 31, 2024. <https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/the-global-use-of-medicines-2023#>
19. Hayford TB. Role of specialty drugs in rising drug prices for Medicare Part D. *JAMA Health Forum*. 2024;5(5):e241188. doi:10.1001/jamahealthforum.2024.1188
20. Hearing wrap up: pharmacy benefit managers push anticompetitive drug pricing tactics to line their own pockets. News release. US House Committee on Oversight and Accountability; September 19, 2023. Accessed June 6, 2024. <https://oversight.house.gov/release/hearing-wrap-up-pharmacy-benefit-managers-push-anticompetitive-drug-pricing-tactics-to-line-their-own-pockets%EF%BC/>
21. Coombs B. Blue Shield of California taps Amazon, Mark Cuban's Cost Plus Drugs for its pharmacy network. CNBC. August 17, 2023. Accessed June 4, 2024. <https://www.cnbc.com/2023/08/17/blue-shield-of-california-taps-amazon-cost-plus-for-pharmacy.html>
22. *Trends in Specialty Drug Benefits Report*. PSG; 2023. Accessed April 3, 2024. <https://link.psgconsults.com/2023-specialty-BDR>
23. Consolidated Appropriations Act, 2021, Pub L No. 116–260 [2020]. <https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf>
24. A new frontier for ERISA fee suits: group health plans. McGuireWoods. March 11, 2024. Accessed April 3, 2024. <https://www.mcguirewoods.com/client-resources/alerts/2024/3/a-new-frontier-for-erisa-fee-suits-group-health-plans/>
25. Adashi EY, O'Mahony DP, Guzik DS. Pharmacy benefit managers in the eye of the storm: growing multipartite scrutiny. *J Am Board Fam Med*. 2024;36(6):1065–1067. doi:10.3122/jabfm.2023.230102R1
26. FTC deepens inquiry into prescription drug middlemen. Federal Trade Commission. May 17, 2023. Accessed April 3, 2024. <https://www.ftc.gov/news-events/news/press-releases/2023/05/ftc-deepens-inquiry-prescription-drug-middlemen>
27. 2023 Employer Health Benefits Survey. KFF. October 18, 2023. Accessed June 4, 2024. <https://www.kff.org/report-section/ehbs-2023-survey-design-and-methods/>
28. Ochieng N, Clerveau G, Cubanski J, Neuman T. A snapshot of sources of coverage among Medicare beneficiaries. KFF. December 12, 2023. Accessed June 4, 2024. <https://www.kff.org/medicare/issue-brief/a-snapshot-of-sources-of-coverage-among-medicare-beneficiaries/>

Visit [ajmc.com/link/89585](https://ajmc.com/link/89585) to download PDF