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Prime Therapeutics Supports CMS Proposal to Limit Spread Pricing in Medicare Part D Administration

ST. PAUL – Prime Therapeutics (Prime) today commented on CMS’s recently released proposal to require “spread pricing” by pharmacy benefits managers (PBMs) to be appropriately accounted for and reported as administrative costs. Spread pricing involves health plans paying PBMs a fixed payment for a given prescription that differs from what the PBM pays the pharmacy that fills it. In a traditional third-party PBM structure, these pricing differentials are often revenue generators that serve as offsets against the PBM’s costs to administer the program, and can result in increased out of pocket costs for Medicare recipients.

As an advocate for transparency in the PBM industry, Prime Therapeutics supports CMS’ proposal to ensure that income generated via spread pricing is appropriately categorized as administrative fees. Prime does not engage in spread pricing in the Medicare Part D contracts currently administered for 16 clients, covering nearly 800,000 lives. Prime’s business model focuses on providing low net-cost pharmacy solutions for clients and members, and payment rates negotiated with pharmacies are passed directly along to plan sponsors, and ultimately, to the insured Medicare beneficiary.

“CMS’ proposal for a single approach to calculating beneficiary cost sharing based on the price paid to the fulfilling pharmacy will lower costs paid by beneficiaries at the pharmacy counter and improve market competition,” said Tim Dickman, President and Chief Executive Officer of Prime. “The spread pricing model allows administration costs to be subsidized by passing along artificially high drug prices to plan sponsors and beneficiaries with no disclosure. The proposed

change will benefit plan sponsors, CMS, beneficiaries, and the Medicare Part D program overall by encouraging greater administrative efficiency by PBMs, increasing competition in the Part D market, and lowering costs at the pharmacy counter for beneficiaries.”

As a privately held PBM, Prime provides extensive disclosure and transparent business practices to plans and their members.

Prime Therapeutics LLC is a pharmacy benefit management company dedicated to providing innovative, clinically based, cost-effective pharmacy solutions for clients and members. Providing pharmacy benefit services nationwide to approximately 14.6 million covered lives, its client base includes Blue Cross and Blue Shield Plans, employer and union groups, and third-party administrators. Headquartered in St. Paul, Minnesota, Prime Therapeutics is collectively owned by Blue Cross and Blue Shield Plans, subsidiaries or affiliates of those Plans. Learn more at www.primetherapeutics.com.