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Filling A Prescription? You Might Be Better Off Paying Cash

By **Julie Appleby** June 24, 2016

Some consumers who use health insurance copays to buy prescription drugs are paying far more than they should be and would be better off paying with cash, especially for generics.

The added cost runs as high as $30 or more per prescription, say pharmacists, and the money is largely being pocketed by middlemen who collect the added profit from local pharmacies.

Cash prices started to dip below copays a decade ago when several big box stores started offering dozens of generics for as little as $4 per prescription. But as copays have risen and high-deductible insurance plans become more common, more consumers are now affected.

The phenomenon illustrates the complexity of how drugs are priced in the U.S. and has led to finger-pointing about who is benefitting or who's to blame.

This KHN story also ran on CNN.com. It can be republished for free (details).

Pharmacists say large pharmacy benefit management (PBM) firms that handle benefit claims for millions of Americans are pocketing the difference, while those firms say pharmacists themselves are being greedy.

“In some cases, consumers are blaming high drug prices on manufacturers, but really the cause of their costs may be the insurance company or the pharmacy or the pharmacy benefit manager,” said Adam J. Fein, who follows the drug industry for management advisory firm Pembroke Consulting in Philadelphia. “It’s very hard to figure this information out.”

‘A Bewildering Array Of Factors’

How much consumers pay at the pharmacy counter depends on a bewildering array of factors, including health insurance policies that set copayments and deductibles, the pharmacies they choose, and which behind-the-scenes PBM their employer or insurer hires to manage claims and negotiate prices with pharmacies and drugmakers.

The back-and-forth between pharmacists and PBMs is part of a long-running feud between the two groups. Not every PBM negotiates prices that allow for these overpayments, the pharmacists say, and not all drugs are affected.

Still, here’s how pharmacists say consumers are getting squeezed. At the pharmacy counter, patients pay their share of the cost — the copay — as set by their PBM and insurance plan.

Days or weeks later, the PBM firm takes back a portion of that patient payment from the pharmacy after the PBM determines what it will actually pay for the drug — a practice sometimes called a “clawback.” That money does not go to the consumer but is generally kept by the PBM.

“It’s a fraudulent misrepresentation to the patient of what is the cost of the drug,” said Susan Hayes, principal with Pharmacy Outcomes Specialists, which audits pharmacy programs on behalf of insurers.

In a survey by the National Community Pharmacists Association taken in early June, members provided examples. None of the pharmacists would talk on the record for fear of being kicked out of the PBM networks, so their responses could not be independently verified.

One told surveyors that a major PBM required the pharmacy to collect a $35 copay for a generic allergy spray, then took $30 back from the pharmacy. Another said a PBM charged a $15 copay for insomnia drug Zolpidem, then took back $13.05. Patients were charged $30 above the cash price for a generic cholesterol medication at another pharmacy.

In effect, the customer has paid more for the drug than the PBM ultimately pays even though “they assume what they are paying is the cost of the drug,” said Susan Pilch, vice president for policy and regulatory affairs with the pharmacists’ group.

In response, the CEO of the benefit managers' trade association blames pharmacists, whom he says should simply offer customers the cash price of the drugs — if cheaper — bypassing their insurance plans altogether.

"Not everything has to go through the plan," said Mark Merritt, president and CEO of Pharmaceutical Care Management Association. "The only reason [for pharmacies] to process the claim is to keep the copay for themselves."

While agreeing that in some cases consumers could get their drugs for less if they paid cash, Pilch said pharmacists are specifically barred from discussing the cash price under terms set by contracts between them and the PBMs. Its June survey of 650 pharmacists found that more than 38 percent said they were unable to tell patients about cheaper cash prices 10 to 50 times in the previous month.

"We are required to run it through insurance and we do not have the option of advising the patient regarding matters of the terms of their plan or their options, or we run the risk of being cut from the network," she said.

For their part, PBMs say patients pay the amounts specified by their insurance plan benefit design. And the amounts they take back, they say, can help hold down cost and slow future premium increases to the insurers and employers who hire them.

Still, Louisiana lawmakers this month passed legislation to rein in the practice by directing pharmacists to tell patients about all their options — including less expensive alternatives.

Arkansas lawmakers last year passed a law that bars PBMs and pharmacies from collecting more from customers for medications than the pharmacy will ultimately be paid.

The laws "should eliminate these consumer clawbacks, which I believe are rare, but are an example of bad behavior by a PBM making a drug more expensive than it should be," said Pembroke's Fein.

Marketplace Practices

OptumRX, a PBM that is part of UnitedHealth Group, was cited as a firm engaged in such efforts by the national pharmacy association and its affiliates in Arkansas and Louisiana.

UnitedHealth spokesman Matt Wiggin said only a small portion of claims were affected, although he could not give a specific percentage. The firm, he said, is moving to change its contracts to avoid the situation in the future.

At **Cigna**, another firm called out by the pharmacists, spokeswoman Karen Eldred would not say if it takes back a portion of the customer's payments from pharmacists. But she said customers "would not pay more than the retail price (cash price) reported to Cigna by the pharmacy."

A spokesman for Express Scripts, one of the nation's largest PBMs, said the firm does not engage in the practice, which he described as "not in the best interest of patients or the country," said David Whitrap.

Market experts agree that shopping around and doing some legwork are tactics that will help consumers avoid paying too much because of the clawback.

Cigna, Express Scripts and other insurers also have apps and websites where members can check drug prices at multiple pharmacies and decide for themselves how best to proceed. But if a health plan or PBM doesn't offer an app, consumers can check the cash price for prescriptions through one of the online websites like GoodRX or Blink health before heading to the pharmacy.

In some cases, it might be less expensive to pay cash. But experts caution that such cash payments don't always count toward annual drug deductibles. Consumers who expect a lot of drug costs might want to think twice about paying cash. But others may still find it saves them money, even if they never hit their deductible.

"The safest thing to do is always know what the pricing is in the marketplace," said Mike Miele, an area president who advises employers on benefits for consulting firm Arthur J. Gallagher. "There are literally thousands of generics that are below $10."

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