

HOW SPREAD PRICING WORKS

1.

INSURANCE COMPANY



PBM negotiates a discounted rate to insurance companies for prescription medications.

But instead of passing savings on to patients ...



2a.

PBM



PBM reimburses the pharmacy one amount for filling the prescription but charges the insurance company a higher amount for that same prescription.



2b.

The PBM pockets the difference, also known as the “spread,” resulting in higher premiums for beneficiaries.



3.

PHARMACY



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According to CBO, banning spread pricing in state Medicaid managed care programs would save federal taxpayers \$1 billion over 10 years by moving to transparent pharmacy reimbursements.

PATIENT

