Why PBM Contracts That Look Good on Paper Can Cost You More in Reality

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At first glance, many pharmacy benefit proposals can feel impressive—thick with rebate guarantees, discount percentages, and projected savings. But behind the clean columns and high-level summaries, there's a growing problem: the numbers don't always reflect the true economics of the deal.

If you're comparing PBM options based only on surface metrics, you may be walking into a contract that sounds better than it performs.

The Illusion of High Pharmacy Rebates and Deep Discounts

One of the most common red herrings in PBM proposals is the rebate guarantee. A plan offering $300 in rebates per claim might seem superior to one offering $200, until you realize which drugs are excluded from that guarantee.

The details matter:

- Exclusion lists can quietly carve out certain medications from rebate calculations
- Specialty drug definitions vary by PBM, changing how rebates apply
- Rebate definitions affect which components of rebates are actually paid out

These nuances can create dramatic swings in actual rebate yield, even when the initial proposal looks strong.

Why the PBM Fine Print Isn't Really Fine

PBM contracts can run 30 to 40 pages, and within them, subtle definitions can materially alter value and rights. A term like "eligible claim" or "generic drug" might seem benign but can quietly exclude certain drugs from guarantees or change how rebates are calculated.

Brokers and employers benefit greatly from having a partner on their side with specialized pharmacy expertise to confidently navigate these complexities.

Optics Are a Feature, Not a Flaw

It's tempting to believe misleading numbers are the exception. But the truth is, they're a feature of how PBMs compete. The goal is often to make the financials look as strong as possible—sometimes by structuring data in ways that obscure what the employer will actually pay.

This might include:

- Inflated rebate guarantees tied to limited subsets of drugs
- Brand versus Generic definitions which impact pricing applied
- Offset provisions which diminish headline discount values

While not intentionally misleading, these elements can be easily misunderstood—leading to a perception of value that may not reflect the full picture.

What Employers Should Do Instead

If you're only comparing rebates and discounts, you're not comparing the real cost. Instead, focus on:

This might include:

- Total net cost, not just unit price or rebates
- Contractual definitions of key terms and guarantees
- Flexibility to bolt on cost-containment programs without penalty
- Audit rights that let you validate performance after the fact
- Market check provisions to ensure ongoing competitiveness

Most importantly, evaluate PBM performance based on what actually impacts your population—not just the spreadsheet values.

Because in This Market, Looks Can Be Expensive

In a complex industry where PBM pricing strategies vary widely, it's essential for buyers to look beyond surface-level numbers. A deal may appear competitive, but understanding how it's structured—and what may be excluded—is key to making an informed decision.

Otherwise, the numbers that look best on paper may be the ones that hurt you most in practice.

We keep our clients up to date on the pharmacy topics that impact cost and care. Contact us anytime with questions or to learn more.