# Real Example of Branded Drug Economics for a Third-Party-Payer (an Insurance Company) in a Flat Dollar Co-payment Health Plan

### **Pharma Companies**

\$450

Wholesale Acquisition Cost (WAC - also known sometimes as List Price); Set by Pharma Co.

\$450 x 1.20

\$540 Average Wholesale Price (AWP) which is a standard mark-up to the WAC.

# **Pharmacy Revenue**

\$450 -4%	WAC
\$432	reported gross payment to wholesaler
\$432 -\$410	reimbursement from PBM
\$22 -\$50	pharmacy still on hook for this amount patient co-pay
\$28	after the co-pay, the pharmacy nets \$28

Note: Generic drugs have different arrangements that drive more revenue

# **Payer Expense**

\$540 ×78%	AWP
<u> </u>	amount paid by payer to
\$421	payment to PBM
-\$225	EOW MAC robato from
	Pharma Co
\$190	cost to payer
×78%	22% discount to AWP for amount paid by payer to PBM payment to PBM 50% WAC rebate from

\*additional fee to to payer for claim administration

#### **PBM Admin Revenue**

\$540	AWP
x4%_	rebate from Pharma Co
\$22	
+\$421	reimbursement from pay
-\$410	payment to pharmacy
\$33	for PBM
\$450	WAC
Ψ <del>4</del> 30	VVAC
×4%	admin fee
•	
x4%_	admin fee  Pharma Co. Admin Fee
<u>x4%</u> \$18	admin fee



# Pharma companies

Pharma Co (manufacturer) makes less than

\$180

because it must pay a huge rebate to payer and also pay wholesaler fees and discounts.

Pharma Co. is "netting" less than

50%

of the list price, but the public tends only to see that list price amount.



#### Wholesalers

Wholesalers make between 1–3% of WAC.



#### **Pharmacies**

The pharmacy makes



#### Consumers

The consumer would pay

which does not account for monthly premiums.



#### **Payers**

The payer (e.g., your insurance company) has paid

\$196

which is less than half the WAC and AWP.



#### **PBMs**

\$33-\$42

PBM has not touched the drug product once in the supply chain.

\*Drug pricing is dependent on many factors. This graphic is just one example.