Expert Warns Health Plans to Eliminate PBMs' "MAC" Mousetraps - or Hemorrhage Generic Drug Savings

This article details how PBMs are manipulating generic pricing terms in their contracts with clients and robbing plans of a large portion of their generic savings as a result. The article focuses on PBMs' MAC manipulations in particular, detailing exactly how PBMs use "MAC" pricing to dramatically increase plans' prescription coverage costs.

Morristown, NJ (PRWEB) October 23, 2008 -- PBMs are manipulating generic pricing terms in their contracts with virtually all health plans and robbing plans of a large portion of their generic savings, warns a leading national prescription coverage expert.

The expert, Attorney Linda Cahn, details in this month's Managed Care magazine precisely how PBMs use the acronym "MAC" to steal health plans' generic drug savings.

According to Cahn, PBMs begin the process by defining the term "MAC" (Maximum Allowable Cost) so PBMs can thereafter manipulate the term. In virtually all contracts, PBMs' MAC definition enables PBMs to generate whatever price they want for a generic drug, and to change their price whenever they want. Moreover, PBMs' MAC definition allows PBMs not to generate a MAC price for as many generic drugs as they want, which in turn enables PBMs to charge brand drug prices for generic drugs.

Having included an extremely ambiguous MAC definition in their contracts, PBMs then insert the term "MAC" into pricing formulas - and pricing "guarantees" - in their contracts. Not surprisingly, PBMs are now free to charge whatever price they want for generic drugs - including brand drug prices - and to evade their generic pricing guarantees as well. Cahn's article provides numerous examples of exactly how PBMs do so.

The article in its entirety can be viewed by clicking on the attached link.

Cahn warns health plans: "The MAC concept is a mousetrap that's certain to kill a plan's ability to obtain generic drug savings. Allow it to stay in your contract, and your health plan will continue to hemorrhage money needlessly. Eliminate it from your contract, and you health plan's costs will certainly decrease."

Cahn notes that in these tough economic times, no health plan can afford to hemorrhage money. Accordingly, she urges every health plan to conduct a RFP, and demand during the RFP a completely different form of contract that will entirely eliminate the concept of MAC. Moreover, Cahn urges plans to make sure that their consulting firm knows how to draft a contract that eliminates MAC. Otherwise, the RFP will largely - or entirely - be a waste.

"If a plan cannot conduct a RFP because its PBM contract was recently signed, plan administrators and trustees should still try to eliminate the MAC concept from their contracts", says Cahn. "Consulting firms like ours - staffed with lawyers, not salesmen - can help plans draft and negotiate contract amendments, inserting different pricing terms and guarantees that do not rely on MAC."

For further information on PBMs' MAC manipulations, or other PBM practices, contact Pharmacy Benefit Consultants via its website at: www.PharmacyBenefitConsultants.com, or call its president, Linda Cahn, at: 973 975-0900. A free internet video describing PBMs' generic pricing scam can also be viewed at:
http://www.youtube.com/watch?v=bEcQ35W1Nrl.

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