NAVITUS

Clarity in Action:

Put Your Current PBM to the Test

When we say that we advocate for clarity in all things, that extends far beyond our business practices. We strive to provide clarity into the pharmaceutical benefit management (PBM) industry as a whole, from models and practices to the flow of money itself.

Only by giving everyone a transparent view of how PBMs work can we empower stakeholders to drive change in the long term.

Myths, Money and Models

We’re breaking down everything you need to know about the PBM industry, so you can gain a deeper understanding of how it works and what kind of PBM is best for your business.

Mythbusters: PBM Edition

In an industry as traditionally opaque as pharmacy benefit management, it can be difficult to get a clear answer on how this business works. For instance, you may know that PBMs play a critical role in managing prescription drug benefits, but beyond that, things start to get hazy. So we're here to clarify the truth about PBMs.

As you can see, so many answers about this industry depend on the model being used and the PBMs themselves. But if you're ready for a partner who doesn't leave you with any questions, let us show you how we apply our decades of dedication to clarity in every aspect of our business. Reach out to info@navitus.com.

Where Every Dollar Goes in the Drug Supply Chain

When you put money into a vending machine, it's a simple transaction. A dollar goes in and a soda comes out. But put that same dollar into the drug supply chain, and you'd be hard-pressed to find exactly what happens to it, how it's being used or if you're even getting your money's worth.

That's why understanding the flow of money in the PBM industry is so important. By knowing where each dollar goes, you can better decide if your PBM is making decisions in your best interest or its own.

Let's break it down across three key segments: stakeholders, the flow of a dollar, and finally, how opacity and spread most often occur.

01

Drug manufacturers

They develop medications and set the list price for each drug, which becomes a starting point for all pricing and rebate negotiations.

02

Group purchasing organizations (GPOs)

They help providers and pharmacies negotiate lower medication pricing by pooling their purchasing power.

03

Wholesalers

Wholesalers buy drugs from manufacturers and ship them to pharmacies and health systems.

04

Pharmacy services administrative organizations (PSAOs)

These organizations give independent pharmacies the scale to compete by handling contracting, admin work and negotiations on their behalf.

05

Pharmacy benefit managers (PBMs)

They negotiate drug prices and rebates, manage formularies, build pharmacy networks and design benefits that balance cost, access and quality of care.

06

Health plans and payers

They work with PBMs to define which drugs are covered on the formulary and how much members will ultimately pay.

07

Pharmacies

They dispense medications, educate patients and ensure safe, timely access to treatments. PBMs work closely with pharmacies to build strong networks that support both patient access and plan performance.

08

Patients

They are the reason the entire drug supply chain exists. What they pay, how fast they get their medications and which options they have are all driven by decisions made upstream. As a PBM, we never lose sight of that.

Where does every dollar go?

A portion goes to the **manufacturer** for the drug itself.

Wholesalers take a small cut for distribution.

Pharmacies take a dispensing fee.

Traditional PBMs often retain spread pricing and rebates, adding opacity to the process.

How opaque practices like spread pricing work?

When a client has questions about the opaque PBM practices that cost them unknown amounts of money, it's usually about things like spread pricing and rebate retention. Instead of being spelled out in contracts or bills, these traditional PBMs use hidden margins to inflate costs or hide the true value of rebates, making it harder to know where the money really goes.

Conversely, as a pass-through PBM, Navitus changes the game by bringing transparency to every dollar in four key ways:

- Ensuring all rebates are passed on to the client
- Offering complete visibility and disclosure of all manufacturer financial benefits
- Making all manufacturer agreements fully auditable by clients
- Going beyond the minimum savings guarantee: as we negotiate better terms, we deliver the full value to you to maximize your savings, not our margins

Learn more about how our transparent PBM model is designed so you won't have any questions about where your dollars go. Reach out to info@navitus.com.

How the Pass-through Model Works

Get to Know the PBM Pass-through Model

In the world of pharmacy benefit management, there are multiple models a company can follow, including the pass-through, hybrid and traditional models. While all PBMs negotiate discounts and rebates with manufacturers on behalf of their clients, pass-through PBMs, like Navitus, offer the most transparency among PBM models. And in such an opaque industry, that transparency is key.

Key Pass-through Features

Pass-through means exactly what it says: these PBMs pass all negotiated discounts back to the plan sponsor. This clarity into what is paid and rebated means every dollar is accounted for. Instead of making money on drug costs like a traditional model PBM, their main revenue sources are a flat administrative fee and disclosed program fees.

How the Pass-through Model Works

Pass-through Versus Traditional Model

Diving deeper into those differences, you'll find that traditional PBMs rely on spread pricing, rebate retention and opaque cost structures. By concealing the actual amounts involved from the beginning, traditional PBMs can retain a higher percentage without having to explain it. Pass-through PBMs eliminate these practices, ensuring clarity and fairness. Use the chart below to see how:

A PBM Aligned with Their Own Goals	A PBM Aligned with Client Goals
Retains price improvements as additional PBM revenue	Passes all price improvements and rebates directly to the plan sponsors
Structures formularies to maximize rebate revenue	Structures formularies based on lowest net cost
Prioritizes high-rebate drugs, even when lower costs are available	Leverages rebates to offset client costs, not as a driver for decision-making
Focuses on generating more PBM revenue through upselling programs	Focuses on achieving the lowest net cost without upselling
Account teams receive bonuses for upselling services	Account teams prioritize client needs, not sales quotas
Bases programs on their bottom line instead of member outcomes	Reinforces member therapy adherence through clinical engagement programs
Uses vague clinical criteria for claims processing	Adheres to documented audit and clinical guidelines for clear claims processing
Uses complex contract language, often lacking transparency	Uses clear, concise and transparent contract terms
Minimizes access to drug claim level data to obscure actual costs	Provides access to drug claim level data for full visibility to how the benefit is being used

Ready to explore how a pass-through PBM can transform your benefit strategy? Reach out to us at info@navitus.com.

We’re advocates for transparency, not because it’s the latest buzzword, but because we think it’s right for clients, partners and payers. It’s why we’ve championed clarity in this industry for over 20 years. And we hope these articles have shown you why it’s a key factor in choosing your PBM.

If you have any questions or want to see how our dedication to clarity can improve your benefit plan, reach out to info@navitus.com.

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