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As Humira biosimilars take over the market, CVS has created a new ploy: the drug 'rebate credit'

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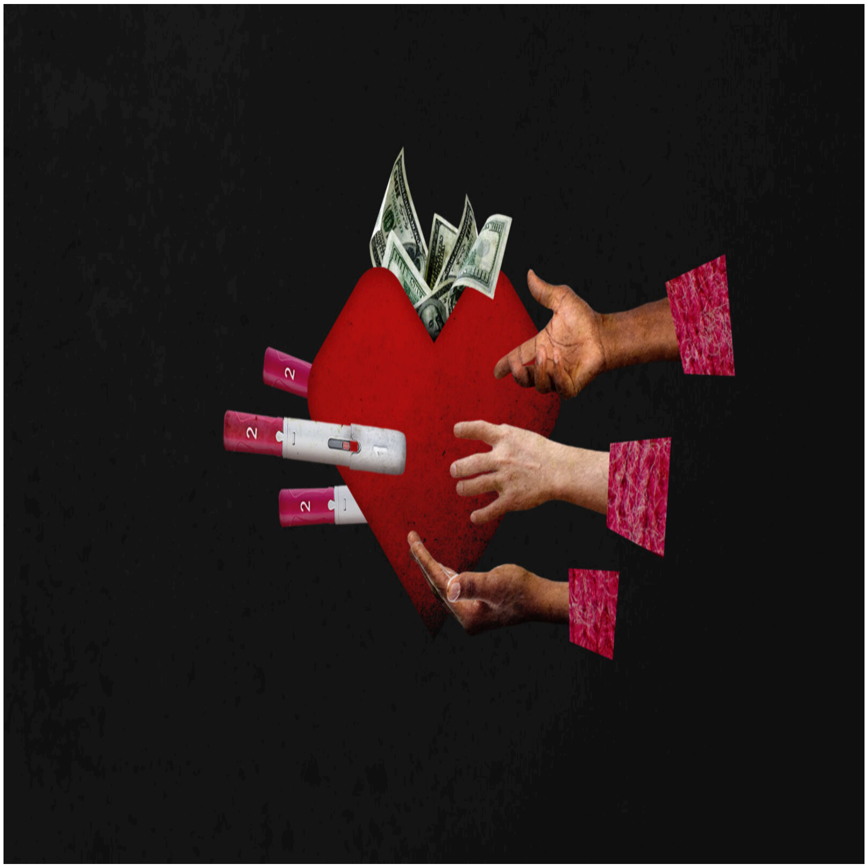
By Bob Herman March 18, 2024



Christine Kao/STAT

The biggest enticement that large pharmacy benefit managers offer to the employers that hire them is drug rebates — a steady stream of money sent back to their clients, a tangible symbol of the discounts that PBMs are able to wrangle out of pharmaceutical companies.

PBMs, the middlemen of drug pricing negotiations, also claim portions of those lucrative rebates for themselves. So when new market developments threaten to diminish or wipe away that revenue stream, PBMs find crafty ways to keep as much of those dollars as possible — often at the expense of employers.

One such case occurred last year, when a wave of Humira biosimilars entered the market and drug companies slashed the list prices of their insulin products. CVS Caremark, the PBM owned by CVS Health that oversees the prescription drug benefits of 103 million people, told its employer clients that it anticipated "more lower-cost products (including specialty biosimilars) may become preferred products" on its lists of approved drugs for 2024, according to documents obtained by STAT.

CVS never named Humira, used to treat rheumatoid arthritis and other autoimmune conditions, but it's a clear reference to the widely used drug and its new, cheaper substitutes, according to six experts who reviewed the documents at STAT's request. Knowing that drug rebate dollars from Humira would evaporate as more biosimilars catch on, since there are usually no rebates on biosimilars, CVS told its clients it would calculate their rebates in a new way — using a complicated explanation and formula that protects CVS' profit, those experts said.

PBMs often promise to pay out a minimum amount of rebates to its clients, which then use those rebates to pay down health insurance premiums for workers. For example, a PBM could guarantee an employer will get at least $1 million in rebates across all of the medications used by workers. But if employers want to shift their workers to lower-price drugs that don't have rebates, it becomes a lot more difficult for CVS to meet that $1 million guarantee.

To make sure that it could meet promised rebate payouts for 2024, CVS said it would create "rebate credits" — a new term that sounds beneficial, but actually acts as a penalty for employers that choose to cover more lower-cost biosimilar drugs, experts said.

"The PBMs are trying to recoup lost rebates and lost profits," said Paul Holmes, an attorney at Williams Barber Morel who works with employers on their PBM contracts and who reviewed CVS' documents at STAT's request. "They're sort of saying you have to suffer the loss of the rebates, and you have to pay us back because we didn't get our portion of the rebates."

The company's documents reinforce how PBMs often favor higher-priced medicines because of the large rebates attached to them, instead of generics and biosimilar drugs. They also illustrate how PBMs hold considerable power to change contract terms if their own bottom line suddenly is at risk.

CVS is saying "if something happens that changes the economics in this contract, we're going to reserve the right to go back in unilaterally and make an adjustment in your pricing, your rebates, whatever the financial terms are," said Roy Wilkinson, an independent pharmacy benefits consultant and founder of a small PBM called Mutual Rx. He equated the situation to "force majeure" — a provision inserted in contracts that frees a party from having to meet the contract's terms if there is a big, unexpected event, also known as an "act of God."

"Except they're not relying on God to strike them down," Wilkinson said.

Humira, the blockbuster drug owned by AbbVie, has been the holy grail of PBM rebates for the past decade. Humira's list price last year was almost $7,000 for a four-week supply of injectable pens, or almost $90,000 for the year. Rebates have been at least 40% of that amount, according to several industry estimates.

That high price, combined with its frequent use, makes Humira one of the most expensive drugs for employers to cover. When Humira biosimilars were finally permitted to be sold in the U.S. in 2023, employers, unions, and government programs stood to save a lot of money. For example, Amjevita, a Humira biosimilar made by Amgen, was 55% cheaper with a list price of about $3,100 for a four-week supply. Others are as much as 85% cheaper.

But the biggest PBMs have not fully embraced Humira biosimilars, knowing those products would take away from their rebate revenue. Most PBMs and health insurance companies did not kick Humira off their list of covered drugs last year — Kaiser Permanente was a notable outlier — and instead placed Humira on the same tiers as the biosimilar options.

Most employers adopt the list of drugs that their PBMs recommend. As a result, patients stayed with the brand-name Humira: Biosimilars only made up a little more than 2% of the entire Humira drug class market in 2023, according to a report from Samsung Bioepis, which makes a Humira copycat.

But with more than a dozen types of federally approved Humira biosimilars now on the market, PBMs had a more difficult time justifying the slow transition. CVS' documents reveal that CVS acknowledged this public sentiment, and explain how the company could retain profits through this big shift.

In its communications to employers, CVS said it "may add 'rebate credit' value" when it calculates how much it needs to pay in rebates. The company defined a rebate credit as the difference between a brand-name drug's list price, known as the wholesale acquisition cost, and the list price of the biosimilar drug, according to the documents. In an example of Humira and Amjevita, the rebate credit would be almost $3,900 (Humira's $7,000 list price minus Amjevita's $3,100 list price).

But experts said there's a glaring issue with that calculation: That's not actual rebate money that PBMs are getting from pharmaceutical companies. It's just a math equation. It is, in essence, a made-up number that doesn't actually represent any rebates.

"The rebate credit is their mechanism to deal with the overpromise of rebate guarantees," said a source who works in the PBM industry but asked not to be named to talk candidly about a competitor's information. "No real money is going to the client from a rebate credit."

Broadly speaking, across the business world, companies that enter contracts may include provisions that allow one party to change the terms if there are drastic and unforeseen events — like a pandemic. But experts who reviewed CVS' documents said moving to biosimilar versions of Humira is hardly unforeseen. Those drugs have been sold in Europe since 2018.

"PBMs knew the Humira biosimilars were coming out in 2023," Holmes said. "So if they made a minimum rebate promise for 2023 or 2024, they should stick to that promise because they knew this was coming."

CVS declined multiple interview requests and only provided a statement in response to questions.

"The documents you have obtained are part of a series of communications to our clients over the past year. CVS Caremark provided new optionality at the beginning of 2024 to our clients about how they structure their pharmacy benefits, including formulary design and rebates," CVS spokesperson Mike DeAngelis said in the statement. The company also mentioned its new programs that pay for drugs based on their costs. "Taken together, these actions demonstrate our commitment to driving greater transparency, simplicity, and affordability for our customers," the statement read.

Erin Trish, a health economist at the University of Southern California and the co-director of the Schaeffer Center for Health Policy & Economics, has studied the incentives in the PBM industry. She said conceptually, CVS' offer of "rebate credits" at least makes it appear the company is willing to move away from drugs that have high list prices, which she viewed as a "positive step forward." However, she said employers have to make sure they are actually benefiting from what's written in their contracts.

"This feels like an example where PBMs are exerting their ability to say to employers, 'We need to change the terms of our contract because something else happened, and we can't deliver on what we had kind of agreed to in the past,'" Trish said. "It's fair for that to be met with skepticism by employers, by regulators, and by stakeholders."

About the Author

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