Health insurance companies and PBMs often receive sizeable rebates from brand pharmaceutical manufacturers. On average, more than half of spending on brand medicines is retained by health insurers, PBMs, the government and others in the pharmaceutical supply chain. In 2023, these rebates, discounts and other price concessions totaled $334 billion.

At the same time, many patients are being forced to pay more out of pocket for their medicines due to an increase in deductibles and the use of coinsurance. Deductibles require patients to pay in full for their medicines before insurance coverage kicks in. And unlike copays, which are a fixed dollar amount charged per prescription, coinsurance requires patients to pay a percentage of the medicine’s price.

For example, for a drug with a $100 list price, a health insurance company or PBM may negotiate a discount or rebate of $40, for a net cost to them of $60. But a patient still in her deductible pays the full $100. A patient with a 25% coinsurance pays $25 for a medicine with a $100 list price (0.25X100), rather than the $15 (0.25X60) she would pay if the coinsurance was based on the discounted amount being paid by her insurance company. That extra money collected from the patient may go to the health insurance company or the PBM. It does not go to the manufacturer of the medicine.

What’s worse is that this situation is unique to health insurance coverage of prescription medicines, and it penalizes patients who need medicines the most. Right now, patients receive the benefit of negotiated discounts when sharing in costs for doctor or hospital visits, but they often do not receive the same benefits for prescription drugs.