

Understanding Drug Pricing and Co-Pays

The U.S. healthcare system is complex, especially in price and costs. This resource provides some tips to get the lowest price for the prescription drugs people with diabetes need to stay healthy.

Why do people in the U.S. pay different prices for the same prescription drug?

Unlike most countries, the U.S. cannot directly negotiate drug prices with drug manufacturers. Each manufacturer negotiates with Pharmacy Benefit Managers (PBMs) to have its product(s) placed on a formulary list of prescription drugs offered to insurance plans. The PBM and manufacturer agree on a discount/rebate that the PBM gets for every prescription of that drug filled through that insurance plan.

PBMs—middlemen between manufacturers and insurance companies—play an influential role in the final price patients pay at the pharmacy. Yet people buying insurance do not know about the rebate PBMs get for placing a drug on its formulary.

Each individual is required to obtain health insurance through an employer, the government (e.g. Medicare and Medicaid), or the ACA Marketplace/broker. Insurance companies have prescription drug plans with pricing tiers offering different levels of coverage and out-of-pocket costs for each prescription. Insurance companies choose different formularies for health insurance plans. Even if two people buy insurance coverage from the same company, they may have different formularies and pay different prices for the same prescription drugs.

Who decides the final cost of a prescription drug?

A manufacturer sets the initial price of a drug, called the Wholesale Acquisition Cost (WAC). This price does not include any additional fees added by PBMs, wholesalers, and pharmacies. Discounts are

built into the initial price because there is no contract with a PBM. PBMs dispense the discounts they negotiate, not the manufacturer.

How can I make sure I'm getting the lowest price for a prescription drug?

- If you have insurance through an **employer or ACA Marketplace**, copay cards can lower the price of a brand prescription drug. To find a copay card for a particular drug, do an internet search by typing the brand name of the drug + "copay card."
- If you have **Medicare**, check plan options during Open Enrollment or when you are first eligible. The [Medicare Plan Finder](#) is an essential online resource. After you enter all current prescriptions into the Medicare Plan Finder, it lists all eligible plans and how much each prescription medication will cost with each plan. While all plans are the same, savings can be significant.
 - If you are eligible for Medicaid while on Medicare ("dual eligible"), some special plans offer reduced costs on prescription drugs. The [SHIP \(State Health Insurance Assistance Program\)](#) can provide individualized help navigating Medicare and Medicaid.
- If you have **no health insurance**, many manufacturers offer Patient Assistance Programs and Cash Pay programs. These programs offer free or discounted medication costs for patients who may be ineligible for other programs. Even if there are income caps, it's still important to inquire and apply.

If you are having difficulty accessing medication due to the high price, do not be afraid to ask your healthcare provider for help. They may offer solutions or alternatives and help navigate the system. Additionally, you may find online searches helpful including: [Non-Insulin Drug Costs Savings Resources](#), [Insulin Cost Savings Resources](#), and [CGM and Insulin Pump Cost Savings Resources](#).

