



Employer Strategies to Monitor PBM Performance



Employer Strategies to Monitor PBM Performance

(and make more informed decisions)



My Goals for Today

- To disrupt what you may or may not know about purchasing PBM services
- To give you some ideas that actually may impact and reduce your pharmacy benefit cost



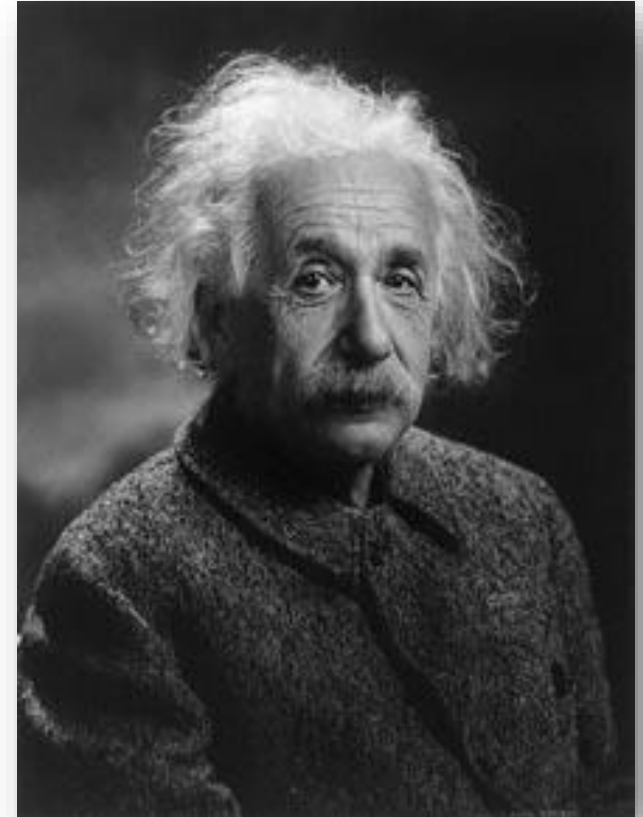
Who said “The definition of insanity is doing the same thing over and over again and expecting different results”

- 1) Benjamin Franklin
- 2) Mark Twain
- 3) Old Chinese Proverb
- 4) Albert Einstein



We'll go with Albert, who says to be careful when purchasing PBM services

"Not everything that counts can be counted. Not everything that can be counted counts."



So in buying PBM services the usual way.....

“How is that working for you.”



Let's start with

WHAT We KNOW

- Rx cost used to represent 5% of health plan spend, often exceeds **20 %** today
- Specialty Pharmacy cost will soon be **50 %** of the total drug spend
- PBMs are making enough money to buy insurance companies



PBM terminology (According to Tim)

AWP

Average Wholesale Price

MAC

Maximum Allowable Cost

GER

Generic Effective Rate

RFP

Request for Proposal

PBM terminology (According to Tim)

AWP

Ain't What's Paid

MAC

Maximum Allowable Charge

GER

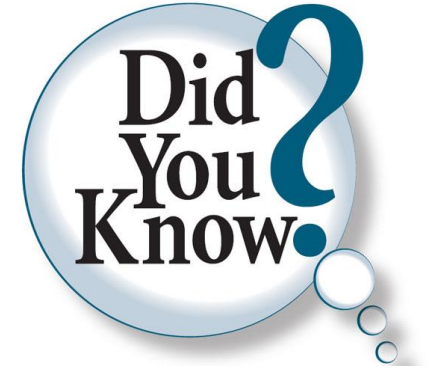
Great Extra Revenue

RFP

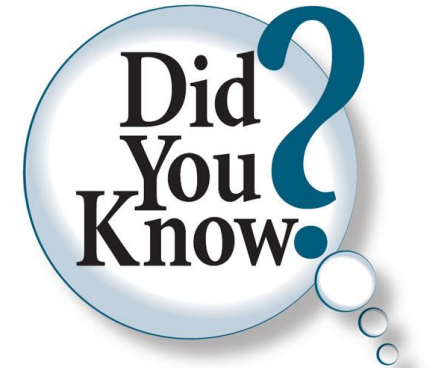
Request for Promises

There are Three types of PBMs

- **Traditional**
- **Transparent**
- **Pass Through**



Traditional model PBM



Makes money by

Network Spread

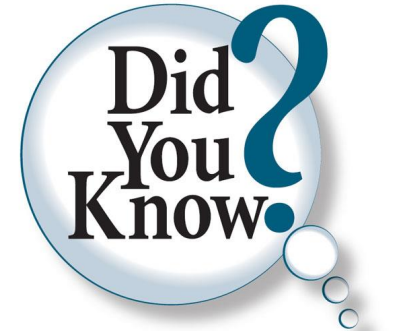
Rebates

Mail Order and Specialty Pharmacies

Usually NO admin fee



Transparent model PBM

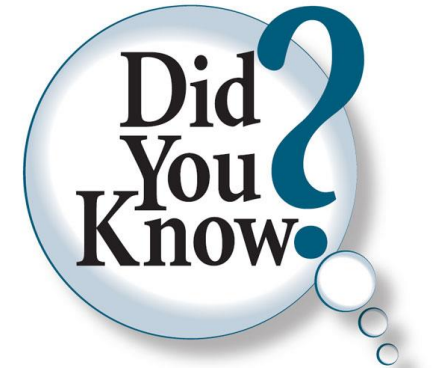


Makes money in the same way

Just tells you what they are
doing.



Pass Through model PBM



Makes money by

Charging an admin fee so....

THEORETICALLY

No Network Spread, 100 % Rebates passed thru



Let's talk about assumptions that might be



- **AWP Discounts are the best way to judge a PBM's performance**
- **Mail Order Drugs always cost less than Retail**
- **I am getting 100 % of the rebates**
- **Bigger is always Better**
- **There is nothing I can do about Pharmacy costs**



The current way most PBMs are judged

- AWP Discounts are a flawed and misleading way of judging PBM performance
- Let's look at Retail Generics (Usual AWP Discount is $\text{AWP} - 70\% \text{ to } 75\%$)



AWP Discount Vs Unit Cost

Which group has the lowest cost per Unit for Retail Generics January 2018 ?

AWP DISCOUNT

Group 1	AWP – 77.52
Group 2	AWP – 79.61
Group 3	AWP – 76.93
Group 4	AWP – 77.73
Group 5	AWP – 80.17

AWP Discount Vs Unit Cost

Which group has the lowest cost per Unit for Retail Generics January 2018 ?

	AWP DISCOUNT	Unit Cost
Group 1	AWP – 77.52	\$ 0.5357
Group 2	AWP – 79.61	
Group 3	AWP – 76.93	
Group 4	AWP – 77.73	
Group 5	AWP – 80.17	

AWP Discount Vs Unit Cost

Which group has the lowest cost per Unit for Retail Generics January 2018 ?

	AWP DISCOUNT	Unit Cost
Group 1	AWP – 77.52	\$ 0.5357
Group 2	AWP – 79.61	\$ 0.5016
Group 3	AWP – 76.93	
Group 4	AWP – 77.73	
Group 5	AWP – 80.17	

AWP Discount Vs Unit Cost

Which group has the lowest cost per Unit for Retail Generics January 2018 ?

	AWP DISCOUNT	Unit Cost
Group 1	AWP – 77.52	\$ 0.5357
Group 2	AWP – 79.61	\$ 0.5016
Group 3	AWP – 76.93	
Group 4	AWP – 77.73	
Group 5	AWP – 80.17	\$ 0.4680

AWP Discount Vs Unit Cost

Which group has the lowest cost per Unit for Retail Generics January 2018 ?

	AWP DISCOUNT	Unit Cost
Group 1	AWP – 77.52	\$ 0.5357
Group 2	AWP – 79.61	\$ 0.5016
Group 3	AWP – 76.93	
Group 4	AWP – 77.73	\$ 0.4339
Group 5	AWP – 80.17	\$ 0.4680

AWP Discount Vs Unit Cost

Which group has the lowest cost per Unit for Retail Generics January 2018 ?

	AWP DISCOUNT	Unit Cost
Group 1	AWP – 77.52	\$ 0.5357
Group 2	AWP – 79.61	\$ 0.5016
Group 3	AWP – 76.93	\$ 0.3645
Group 4	AWP – 77.73	\$ 0.4339
Group 5	AWP – 80.17	\$ 0.4680

AWP example (bucket move)

A PBM can move a generic into a brand name bucket to make both discounts artificially increase.



Brand
-16%



Generic
~~-76%~~



Mail order is always cheaper than retail.

Total cost per unit ALL Generics

Group	1	2	3	4	5
Mail Service Channel	\$1.7498	\$1.3445	\$1.9516	\$1.1419	\$1.8686
Retail Service Channel	\$1.3809	\$1.0423	\$1.7025	\$1.0433	\$1.7793



When you get 100% of rebates you are getting 100% of rebates.

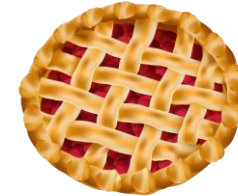


Quote from a PBM contract:

“Rebates” means retrospective rebates that are paid to XXXX, or otherwise retained by XXXX, pursuant to the terms of a rebate contract negotiated independently by XXXX with a pharmaceutical manufacturer, and directly attributable to the utilization of certain pharmaceuticals by Enrollees. Rebates do not include administrative fees paid by pharmaceutical manufacturers to XXXX, or product discounts or similar remuneration received by subsidiary pharmacies of XXXX.”



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Bigger is always better.

Bigger PBMs may buy better, but are you getting all of the value of the buying power?

The model (Transparent or Traditional) doesn't matter.

What matters is:

- What are you actually paying
- Contractual Terms
- Service



BIGGER IS BETTER ???

- Comparison of **Big PBMs** to smaller PBMs Retail Generics Dec 2018

Group	A	B	C
AWP Discount	AWP - 77.84	AWP – 78.45	AWP – 78.96
Unit Cost	\$ 0.5395	\$ 0.4176	\$ 0.4921



2017 All Retail Generics Unit Cost

Bigger is better?

	55	56	57	58	59	86
Channel						
Mail Service Channel	\$0.5432	\$0.5668	\$0.3853	\$0.3462	\$0.3307	\$0.4183
Retail Service Channel	\$0.5225	\$0.4737	\$0.4325	\$0.3333	\$0.3618	\$0.4713

BIG MYTH: There is nothing I can do about Rx cost


- Negotiate a better PBM contract with help from an unbiased resource
- Monitor PBM performance
- Look at your benefit design
- Engage members and providers

You need to monitor PBM performance!

- Things change
- Make sure the PBM contract protects you financially
- Know what to look for



PBM notified and monitoring began in February 2017 for 15K life group

AWP Discount vs Unit Cost				
Retail Generics				
Year/Month	AVG AWP %		Unit Cost	# Rxs
<u>2017/01</u>	73.21		\$0.5987	9,815
<u>2017/02</u>	73.09		\$0.6007	8,716
<u>2017/03</u>	79.67		\$0.4620	9,620
<u>2017/04</u>	79.91		\$0.4578	8,702
<u>2017/05</u>	79.64		\$0.4728	9,172
<u>2017/06</u>	79.91		\$0.4859	8,950

At 500,000 generic units per month worth \$ 840,000 annually



PBM formulary choices that cost \$

- **Vimovo** (Naprosyn and Nexium)
- Cost of Vimovo 90 days
 - **\$ 2,279**
- Cost of both generics 90 days (2 prescriptions)
 - **\$ 40**
- **Namenda XR** (Memantine)
- Cost **\$ 800**
- Cost of Generic **\$ 60**



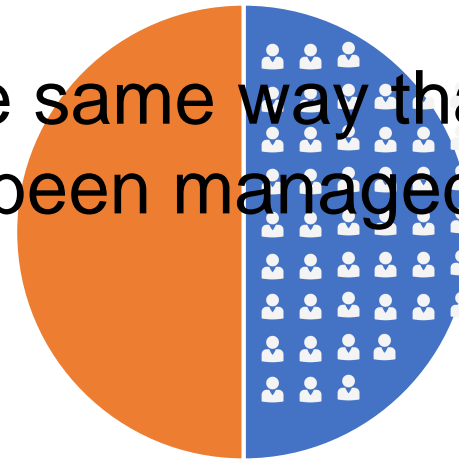
Specialty Rx
40-50% of the Drug Spend

Traditional Rx
50-60% of the Drug Spend

Should it be managed the same way that traditional pharmacy has been managed?



■ 1% of population
■ Rest of population



■ 30-40% of population
■ Rest of population

Specialty Pharmacy costs compared

- **Tecfidera 240mg**
(Month Supply)
Acquisition Cost Plus Fee

\$ 6,680

Traditional Pharmacy
Pricing

\$ 6,874

- **Humira 40mg**
(Month Supply)
Acquisition Cost Plus Fee

\$ 3,516

Traditional Pharmacy
Pricing

\$ 4,476



Things you can do before it goes off the rails

- Get the best help available
- Review and improve your PBM contract(s)
- Find the best set of services for your situation (Carving out?)
- Monitor what goes on and have market check provision
- Engage your providers and members



Are there other options ?

- Can the middleman be replaced?
- Claims Processing is available from non PBM sources
- Pharmacy Network is available from non PBM sources
- Rebates are available from non PBM sources

Questions?



Contact Information



Tim Thomas, R.Ph
President, Crystal Clear Rx
Tim.Thomas@CrystalClearRx.com
720-414-2749
tim.thomas@crystalclearrx.com