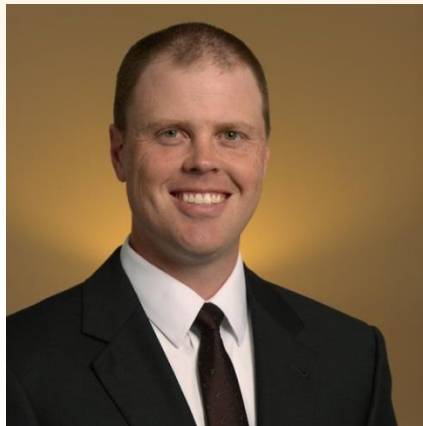


Understanding Pharmacy Benefits – An Overview of the Economics Involved, Negotiating Tips for your PBM Contract and Cost-Savings Opportunities



Kevin T. Burns



Tom J. Scurfield

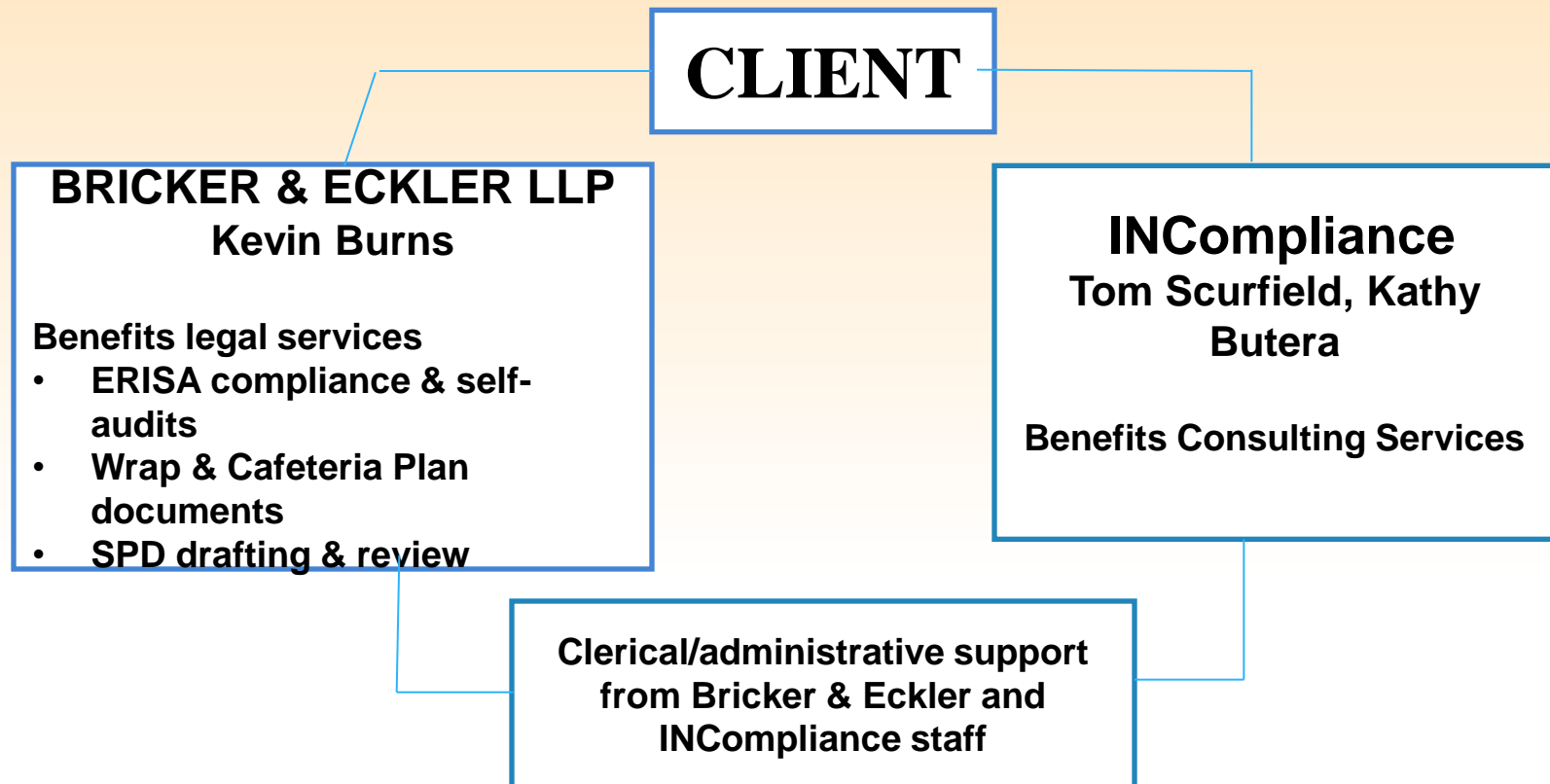
Discussion

- Introductions
- INCompliance Benefits Consulting
- Benefit Plan Compensation
- Prescription Drug Plan Pricing

INCompliance Benefits Consulting

- INCompliance is a consulting firm wholly-owned by and affiliated with Bricker & Eckler LLP
- INCompliance provides employee benefits consulting services along side benefits legal services provided by Bricker & Eckler LLP
- A new & better way to provide benefits services - Having a Client's benefits consultants and benefits attorneys working together in a holistic approach streamlines communication, improves efficiency, lowers cost and provides better client service
- No acceptance of override payments ensures that the client always comes first
- Confidence in and trust between the plan sponsor and its benefits consultants and attorneys

INCompliance Benefits Consulting Structure



INCompliance Benefits Consulting Expertise & Services Provided

Account Management

- Day to day vendor management
- Plan implementation
- Project management

Financial

- Benefit plan underwriting and pricing
- Funding evaluation: self-funded, fully insured, minimum premium

Management

- Sales and service teams
- Customer service and claims team management

Contractual

- Policy and contract language negotiation
- Contract and benefit booklet review

Proposal Issuance and Analysis

- Request for proposal preparation
- Analysis of financial offer, plan administration, network/utilization management, cost control programs, claims/customer service, account management and plan administration

Benefits Consulting Team

Tom Scurfield, CEBS

- Consultant – 35+ years experience
- Past Experience
 - Senior Vice President and Health & Welfare Practice Leader for Aon– Cleveland
 - General Manager and Region Head of Sales Middle Market East Region – Aetna
 - Vice President-Definity Health, innovator and driver of consumer driven health plans
 - Regional Vice President, National Accounts – Aetna
 - BA, Ohio Wesleyan University
 - Certified Employee Benefits Specialist, Chartered Life Underwriter

Kathy Butera

- Consultant – 25+ Years experience
- Past Experience
 - Vice President – Aon Risk Services
 - National Account Executive – Aetna
 - Account Manager – Definity Health
 - Provider Relations Representative, Account Executive, Supervisor Consumer Affairs – Blue Cross & Blue Shield of Ohio
 - BA, Mount Union College; MBA, Cleveland State University



Common Issues with Current Consulting Model

- Sales and Commissions-focused, not client focused
- Lack of transparency in fees and services
- Lack of responsiveness to clients

Understanding Health Plan Broker/Consultant Compensation Real World Example

- Client with 270 employees covered in its health plan, also offers dental, vision, life and disability
- Consultant Compensation:
 - Paid \$50,000 in direct commissions annually
 - Receives \$47,000 in incentive compensation from insurance company for retaining business with them
- Consultant incentivized to place Client's benefits with providers that provide greatest override commission, not the provider who best fits the needs of the Client

Understanding Fees Paid

- Some fees will be listed on Form 5500, Schedule C, but not always
- Recommend including language prohibiting vendor incentive compensation in consultant/broker contract
- Ask current broker or consultant for a full disclosure of prior year and current year compensation received for services

What is a Pharmacy Benefit Manager?

- Pharmacy Benefit Manager (PBM) is a third party plan administrator for insured and self insured employer sponsored health plans
- Three largest
 - CVS Caremark
 - Express Scripts
 - OptumRx (owned by UnitedHealthcare)
- PBMs:
 - Contract with pharmacies
 - Negotiate discounts and rebates
 - Develop and maintain a list of covered drugs called a formulary

Insurance Company PBMs

- Aetna: has in house PBM but contracts with CVS Caremark to manage certain aspects of their PBM
- Anthem: uses Express Scripts until 2020. Anthem is building new PBM, IngenioRx. They will contract with CVS Caremark to manage certain aspects of their PBM
- Cigna: has in house PBM but contracts with CVS Caremark to manage certain aspects of their PBM
- Medical Mutual of Ohio: uses Express Scripts
- UnitedHealthcare: owns OptumRx

Changes in PBM Market

- Amazon entering prescription drug market
 - Wholesale pharmacy licenses in 12 states
- Walgreens partnering with FedEx
- CVS Caremark buying Aetna?
- CVS Caremark introducing 1 day delivery to patients home
- Narrower pharmacy network resulting in improved pricing

PBM pricing

- Varies by size of network
 - PBMs offer range of networks ranging from a Walmart only network to network with 50,000 pharmacies across the United States
 - Narrower the network the better the pricing
- Pricing varies by prescription drug plan design
 - The more steerage the better the pricing so a three tier copay plan has better pricing than two tier copay plan
 - Step therapy and prior authorization provides more steerage and better pricing
- Sharing of manufacturer rebates varies by size of plan sponsor
 - Two Insured plans do not share
 - Smaller plan sponsors receive reduced %
- Two common pricing models
 - Pass through rebates
 - Reinvested rebates
- Plan sponsors should consider group purchasing arrangements to access market best pricing including manufacturer rebates

PBM Pricing – Differences in Self-Insured v. Fully Insured Plans

- Insured Plans
 - Drug pricing and dispensing fee is not disclosed
 - Manufacturer rebates are kept by insurer
 - Plans offered are designed to maximize manufacturer rebate revenue
- Self Insured Plans
 - Drug pricing and dispensing fee disclosure varies by size of plan sponsor
 - PBM sharing of manufacturer rebates, pass through or reinvested pricing model, varies by vendor and by size of plan sponsor

Real Life Example

- Plan sponsor with 16,300 employees
- Prescription Drug spend \$22.3 million with insurance company contracted PBM
- Negotiations using market PBM pricing resulted in \$1.2 million savings
- Improved retail AWP discount by 5.3% for generic and 4.2% for brand prescriptions
- Improved mail order AWP discount by 6% for generic and 2% for brand prescriptions
- Additional savings available through direct PBM contract but plan sponsor wanted to maintain administration through medical plan vendor

PBMs and the Opioid Crisis

- CDC issued guidelines for prescribing opioids (March, 2016) focusing on decision to begin or continue prescribing opioid analgesics and identifying and mitigating misuse
- PBMs have implemented a multi-facet approach to opioid abuse:
 - Limiting the length of the first fill
 - Limiting the quantity
 - Implementing step therapy to the use of immediate release formulation before prescribing extended release formulation
 - Providing alerts and communications to top 1% prescribers
 - Notifying physicians if patients are taking > 3 opioids

Questions?



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