





# **What You Should Know About Drug Purchasing and PBMs**

# The News

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**CIGNA COMPLETES COMBINATION WITH EXPRESS SCRIPTS, ESTABLISHING A BLUEPRINT TO TRANSFORM THE HEALTH CARE SYSTEM**

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
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Home > Finance

January 30, 2019 12:00 AM

**Anthem will launch in-house PBM in second-quarter 2019**

SHELBY LIVINGSTON

 TWEET  SHARE  SHARE  EMAIL  PRINT



March 12, 2019 05:24 PM

**PBM's invited to testify to Senate Finance Committee**

SUSANNAH LUTHI

 TWEET  SHARE  SHARE  EMAIL  PRINT



## Auditor General DePasquale Demands Increased Oversight of Pharmacy Benefit Managers that Impact Drug Prices

Special report shows so-called 'middlemen' impact costs of prescription drugs

Printer Friendly 

This document includes House Floor Amendments incorporated into the bill on Thu, Feb 28, 2019 at 6:36 PM by plflowers.

1	PHARMACY BENEFIT MANAGER AMENDMENTS
2	2019 GENERAL SESSION
3	STATE OF UTAH
4	Chief Sponsor: Paul Ray
5	
6	

## Walmart, CVS Health Agree on PBM Pharmacy Network Rates

Walmart and CVS Health have agreed on terms that would ensure continued access to PBM pharmacy services for consumers.

Bringing  
**TRANSPARENCY & ACCOUNTABILITY**  
to Drug Pricing



# PBM = Pharmacy Benefit Manager

- » Began as Claims Processors
  - › Processed claims
  - › Contracted with a network of pharmacies
- » Developed into “Full-Services”
  - › Formulary
  - › Prior authorization
  - › Network pharmacies
  - › Rates paid to pharmacies
  - › Rebates
  - › Appeals
  - › Specialty pharmacy
  - › Reporting

# Why Use a PBM?

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- » Process Pharmacy Claims
- » Network Pharmacy Contracting
- » Drug Purchasing Scale



# Why are Drugs so Expensive?

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## »Part of Problem is Nontransparent Pricing

- › Manufacturers, Wholesalers, PBMs, Pharmacies, Health Plans
- › Can't Tell How Much Each Part of Supply Chain Profits

# Transparent Contracts

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- » Largely a Misnomer
- » "Transparent" Only Means What Pharmacies Paid
- » Nothing on Rebates or Other Parts of Supply Chain
- » Usually Comes with Administrative Fees
- » Discounts not as Aggressive as "Traditional" Contract



# How Rebates Work

» Rebates: Post Service Payments by Manufacturers to PBMs

» Example:

- › 10% PBM Rebate by Putting Obecalp on Tier A
- › Rebates Paid Months Afterwards
- › Price is \$4,500 and 10,000 scripts
- › Rebate of \$450,000 ( $\$4,500 * 10\% * 1,000$ )

» Because Rebates are Paid after Dispensing:

- › PMBs, Wholesalers, Manufacturers Benefit from High Prices & Health Plans get Rebates
- › Consumers Rarely Benefit

# How Coupons Work

»Coupons Pay for the Cost Sharing Obligations of Consumers

»Example:

- › Tom is on a Traditional Plan with \$150 copay for Obecalp
- › Sam has HSA Plan with \$3000 Deductible + \$150 Copay
- › Because Both have a Coupon, They Each Pay \$5
- › That is the Good News...



# The Bad News

Members will switch to the generic... right?

	Obecalp Cost	Group Cost	Member Cost	Coupon	True Member Cost
Current Cost	\$4,500	\$4,350	\$150	\$145	\$5
Generic Obecalp	\$2,700	\$2,550	\$150	\$0	\$150

***Cost Sharing is Designed to Encourage Consumers to Use Less Costly Alternatives. Coupons Circumvent this Causing Consumers to Use More Expensive Drugs, Thereby Increasing Your Costs as the Plan Sponsor.***

# In Sum...

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- You buy drugs through a complex network of middlemen who benefit from high drug prices with little transparency
- PBMs process claims, establish Pharmacy Networks, and negotiate rates and rebates with Drug Manufacturers
- Rebates are payments to PMBs for using certain drugs. How much PBMs keep and how much they pass on is largely unknown; consumers are left out
- Coupons reduce costs for consumers but generally increase costs for plan sponsors



# PEHP Approach



## **1. In-House Team since 2008**

- › Pharmacists, Doctors, and Support Staff

## **2. Contract with National PBM**

- › Process Claims, Pharmacy Network, Contracting Power for Drugs

## **3. Use Expertise to Get Best Value on PBM Contract Type**

- › Currently using Traditional Contract at Sizeable Savings

## **4. Create Our Own Formulary**

- › Best Way to Neutralize Cost Challenges

# PEHP Approach

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## **5. Negotiate Separate Contracts with Drug Manufacturers**

- › Create Unique Cost Reduction Opportunities

## **6. Give Back 100% of Rebates**

- › Core to Our Mission: Excellent Products at Cost

## **7. Find Creative Ways to Leverage or Beat Coupons**

- › Maximize to the Benefit of Plan Sponsors



# Giving Cash Back

## Beating Coupons by Rewarding Selection of Lower Cost Drug

	Cost	Group Cost	Member Cost	Coupon	True Member Cost
Current Cost	\$4,500	\$4,350	\$150	<b>\$145</b>	<b>\$5</b>
Biosimilar with cash back	\$2,700	\$2,550 + \$400 cash back = \$2,950	\$150	<b>\$0</b>	\$400 cash back - \$150 copay = \$250

- Without Cash Back, Members Likely to Get Expensive Drug
- Cash Back Saves Plan Sponsor \$1,400 Per Prescription
- Member has \$250 After Copay with Cash Back

# Pharmacy Tourism

## An Innovative Way to Offer Cash Back

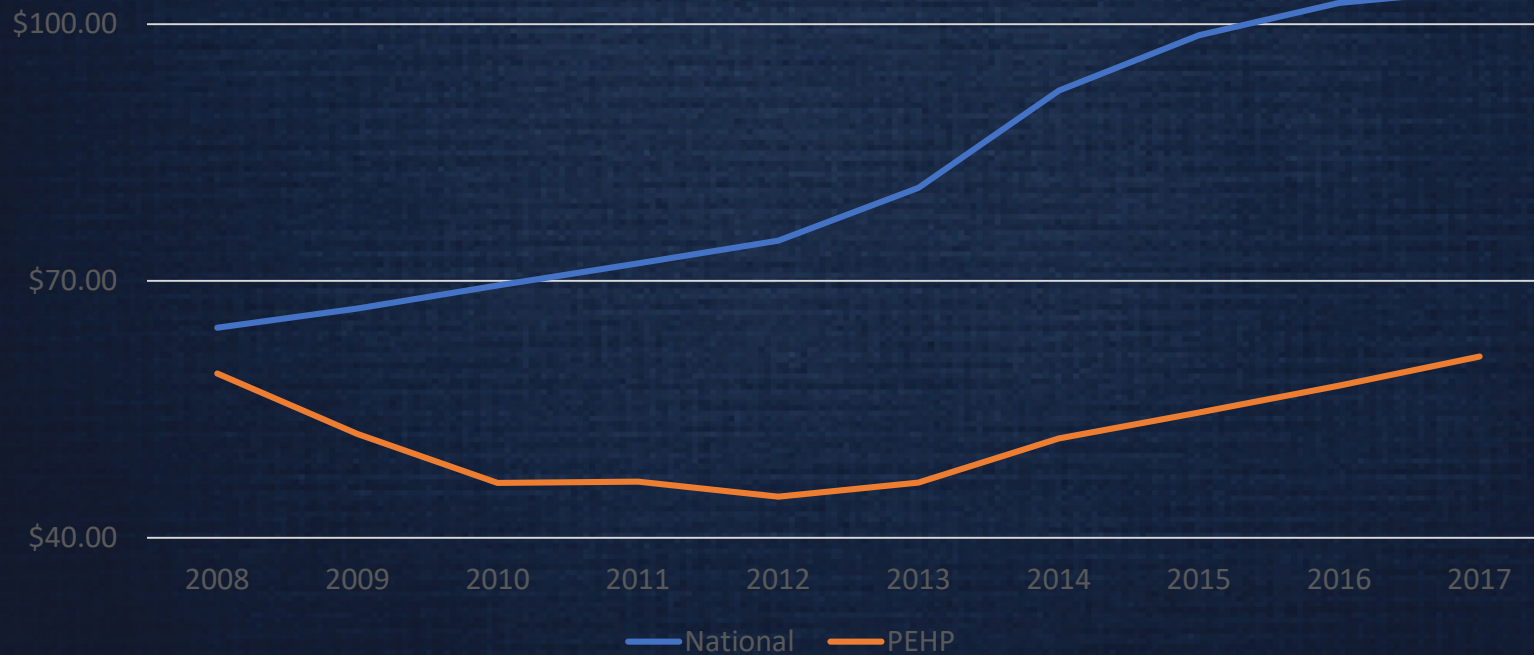
Tourism uses a 90 day supply	Cost	Group Cost	Member Cost	Coupon	True Member Cost
Current Cost	\$13,500	\$13,050	\$450	\$435	\$15
Tourism with cash back	\$7,350	\$7,350 + \$500 cash back = \$7,850	\$0	\$0	\$0 copay + \$500 cash back = <b>(\$500)</b>

- Member & Guest Fly to San Diego and Transported to Hospital in Tijuana as long as Safe to Travel
- Pharmacy Tourism Saves \$5,200 per 90-Day Cycle
- Member has \$500 After Copay with Cash Back



# Benefits of PEHP's Efforts

PEHP vs. National PMPM



- » PMPM = Cost per member per month
- » Does not include rebates

# **Lessons from Treatment Cost Comparison Tool & Cash Back Program**



# “Cutting Edge” Medical Care

**WIDOW**



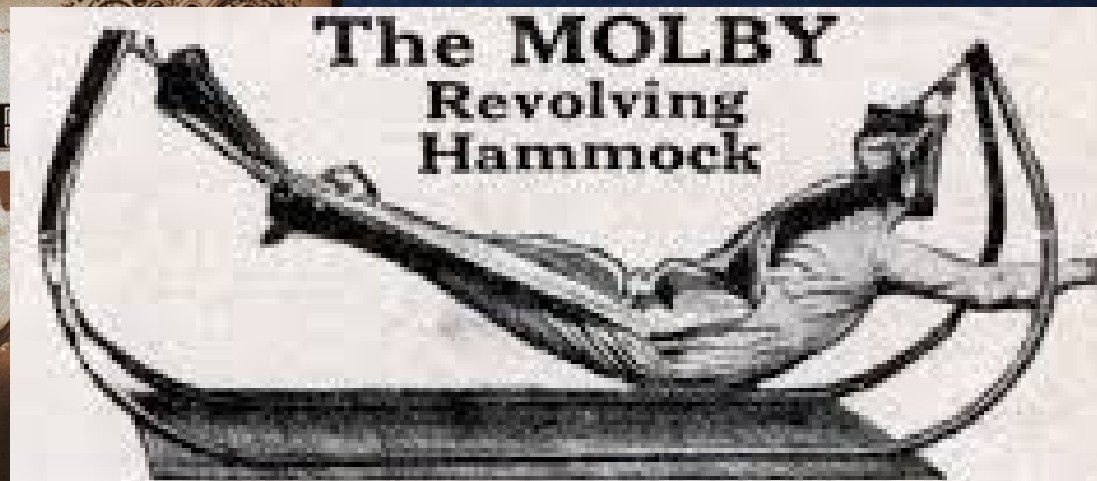
Shake Well Before Use

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**COMPO**

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Campbell & Son Keene NH



## The MOLBY Revolving Hammock

## Make Your Spine Young!

Stretch it with the Molby Revolving Hammock. Bring back health and vitality. Have a full chest and a small waist. Live longer and enjoy life more. All the keen relish of a healthful existence comes to the man or woman whose spine is straight, strong and supple, with no tension on the sympathetic nervous system and with every spinal nerve relaxed.

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1460, Binghamton, N.Y.



# Cost Transparency

**“Patients want to know more about their cost information, and we as a healthcare system aren’t meeting that need...**

**“Transparency is important because it makes it harder for providers to charge higher prices without providing higher quality...”**



**Anna Sinaiko, MPP, PhD**  
**Assistant Professor of Health Economics and Policy**  
**Harvard School of Public Health**



# General Perception - Quality



≠



≠



**Hospital**



**Ambulatory  
Surgical  
Center**



**Office/Clinic**



# General Perception - Cost



≠



≠



**Hospital**



**Ambulatory  
Surgical  
Center**



**Office/Clinic**



# Find & Compare Costs for Treatment



Find a Provider



Find a Facility



Find & Compare Costs **New!**

Compare costs of medical services performed at different facilities and by different providers. [Learn More](#)

## Treatment Name or Billing Code

Please enter a treatment name or billing code

Search

## Popular Searches

Colonoscopy  
Cataract Surgery  
Ear Tubes  
Knee Scope  
Deviated Septum

Carpal Tunnel Surgery  
Kidney Stones  
Brain MRI  
Shoulder/Arm MRI  
Back MRI

Hip/Leg/Knee MRI  
Abdominal CT Scan  
Birth Vaginal Delivery  
Birth C-Section  
Vasectomy

Knee Replacement  
IUD Insertion  
Remove tonsils and adenoids

## Browse Categories

Conditions  
Other  
Surgery  
Vaccinations

Lab  
Radiology  
Test/Screening  
Visits

# See Common Costs at Different Locations



TREATMENT COSTS

Network: Summit Network

Search

Colonoscopy

Customer Service

801-366-7555 (TTY:711)

Search Results for: Intestinal exam (colonoscopy)

Facility Type	Common Cost ?
Office or Clinic	<div>View</div> \$1,057
Physician	\$1,057
Ambulatory Surgical Center	<div>View</div> \$1,673
Facility	\$1,187
Physician	\$486
Outpatient Hospital	<div>View</div> \$2,579
Facility	\$2,195
Physician	\$384

Your Current Benefit Limits

Deductible

User, Test\$0.00 of \$350.00

Doe, Baby John\$0.00 of \$350.00

Out-Of-Pocket

User, Test\$0.00 of \$3,000.00

Doe, Baby John\$0.00 of \$3,000.00

View your full Benefit Summary

←

Office or Clinic

View



**PEHP**  
Health & Benefits

RESULTS

Network: Summit Network

Home

Search

Colonoscopy

Intestinal exam (colonoscopy)

Customer Service

801-366-7555 (TTY:711)

Search Results for: Ambulatory Surgical Center

We found 11 facilities

10 Items per page

Located Near Zip Code

Enter Zip Code

Search Radius

Submit

Provider	Location	Cost	
		Common	Range
<b>CENTRAL UTAH SURGICAL CENTER</b> Costs based on 10+ claims	PROVO, UT		
Facility		\$398	\$380 - \$398
Laboratory		\$0	\$0 - \$70
Physician		\$426	\$395 - \$504
<b>Total</b>		<b>\$824</b>	<b>\$823 - \$853</b>

# Choose Between Available Doctors

Displaying providers for: **CENTRAL UTAH SURGICAL CENTER**

We found 4 providers

10 Items per page ▼

Located Near Zip Code

Search Radius

Enter Zip Code

Submit

## BODILY, KURT O

1055 N 500 W  
PROVO 84604-3305  
📞 801-374-1268  
Male  
★★★★★



3000 N TRIUMPH BLVD  
LEHI 84043-4999  
📞 801-429-8000  
Male  
★★★★★



## DICKINSON, THOMAS A

1055 N 500 W  
PROVO 84604-3305  
📞 801-374-1268  
Male  
★★★★☆



3000 N TRIUMPH BLVD  
LEHI 84043-4999  
📞 801-429-8000  
Male  
★★★★☆





# Lessons from Cost Comparison Tool

- Healthcare ***costs can vary significantly*** based on where services are received, between providers of the same specialty, and different specialties
- Important to help members ***see these price differences*** (ex. Colonoscopy w/in Summit Network: \$824 - \$4,975)
- Site of Service is the single most important factor in understanding significant cost differences: Office, Free Standing, Hospital
- The next most important is general cost differences between Hospitals

# Lessons from Cash Back

- Program ***allows members to benefit in three ways:***
  - Lower out-of-pocket costs
  - Cash in their pockets
  - Lower Costs & Premium Rates = Preserve Benefits
- Cash back can take many forms:
  - Generally range from \$50 to \$500
  - Handful up to \$2000
  - Medical services and prescription drugs
  - Pharmacy Tourism



# Navigating Healthcare

- Drug Purchasing
  - PBM, Formulary, Cost Sharing, Cash Back
- Cost Variance
  - Cost Tools and Cash Back
- Surprise Bills
  - Warnings, Data Analytics, Member Advocacy
- Fragmented Care
  - Care Coordination
- Poor Health
  - Wellness Programs, including Tracker

# Unnecessary Care

- Overkill, Atul Gawande, New Yorker 2015
  - 2010 Institutes of Medicine Report
    - 30% of Spend or \$750B > US Budget for K -12
  - Not New: Dartmouth Atlas & Regional Variance
    - More Care Doesn't Result in Better Outcomes
    - Often Worse Because of More Complications
  - Roemer's Law: Demand Expands to Consume Oversupply of a Medical Resource
    - If you Build it, Medical System will use it.
  - Gawande's Patients: 7 or 8 overtreated
    - MRIs, Genetic Test, Neck Surgery, Knee Surgery
  - Rise of High Stakes Marketing
    - Drug Space, ER Services, Full Body Scans
  - Our Expectations & Provider's Role



# Is There a Way Forward?

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- Utilization Review
  - Good Clinical Policies
- Data Analytics
  - Trends and Outliers
- New Payment Arrangements
  - Disincentivize Overtreatment
- Choosing Wisely Website & App
  - Incredible Resource for Patients & Providers

# Five Questions

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1. How would this test or procedure help me?
2. What are the downsides?
3. Are there simpler, alternative options?
4. What happens if I don't do anything?
5. How much will it cost?



# Key Legislative Issues

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- Chronic Meds Before HSA Deductible
- Converting HSA to Cash Benefit
- RFP for Value-Based Payment Arrangements
- Mental Health Visits at School
- No Caps on Autism