

Resolving to control drug costs: Your PBM contract really matters

Here are five actions employers can take to create savings for their pharmacy benefits plan and plan members

By **Denise Giambalvo** | January 29, 2020 at 10:11 AM



You want the right to customize your formulary, contract directly with specialty and retail pharmacies and mail order. But don't stop there. (Photo: Shutterstock)

The new year and decade bring a clean slate, and outside of [personal resolutions \(https://www.benefitspro.com/sites/benefitspro/2019/01/08/5-new-years-resolutions-for-employers-hr-professionals/\)](#), many benefit and HR managers are looking for ways to improve their benefit plans. With [no new legislation](#)

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Related: [Employers rethinking their dependence on PBMs for addressing drug costs \(https://www.benefitspro.com/sites/benefitspro/2020/01/14/employers-rethinking-their-dependence-on-pbms-for-addressing-drug-costs/\)](https://www.benefitspro.com/sites/benefitspro/2020/01/14/employers-rethinking-their-dependence-on-pbms-for-addressing-drug-costs/)

For the self-insured employer, there are controls that can be put in place to create savings for the plan and plan members (e.g., employees and their family members). Recommended strategies include:

- 1. Ensure your pharmacy benefit manager (PBM) contract has clear and objective definitions.** Without strong and auditable language which defines key terms such as generic and specialty drugs and rebate eligible claims, the financial proposals provided on a spreadsheet are meaningless.
- 2. Collect money owed.** As long as rebates are on the table, make sure proper language is in place to receive all rebates, fees and revenue that a PBM receives from pharmaceutical manufacturers. At the same time, don't let rebates drive your formulary decisions. This can become a strategy you and your CFO may not recover from and allows for waste in the system.
- 3. Ensure your PBM contract will remain competitive** with annual **[Market Check rights \(https://www.worldatwork.org/docs/benefits-focus/2010/05-10-2010/considerations-in-negotiating-your-next-pbm-agreement.html\)](https://www.worldatwork.org/docs/benefits-focus/2010/05-10-2010/considerations-in-negotiating-your-next-pbm-agreement.html)** and the ability to terminate contracts early without penalty.
- 4. Include carve-out options in your contract.** You want the right to customize your formulary, contract directly with specialty and retail pharmacies and mail order. Don't stop there. Include the ability to direct contract with pharmaceutical manufacturers, too. You never know, you may want to exercise that right in the future.

Once you have a contract in place that ensures the plan's best interests—one that gives you confidence that the plan is meeting its fiduciary responsibilities—then levers can be pulled over time. Annual claims review will inform the independent pharmacy and therapeutic committee on where to make changes in the formulary to ensure the member is receiving the right drug at the right time for the lowest cost.

- 5. Negotiate directly with pharmacies.** Going direct to the pharmacy and bypassing the PBM for pricing allows for the plan to pay for drugs at cost plus an administrative fee. This provides full price transparency and tremendous cost savings. When doing this, you must be prepared to narrow the number of pharmacies participating in your network. The claims data will guide you to which pharmacies you want in-network and which to remove.

As a benefits buyer, finding the right independent consultant to make this a seamless process with little work for you may be a challenge. It's important for employers to seek out resources that can help. The non-profit Midwest Business Group on Health, through its subsidiary, the Midwest Health Purchasers Collaborative, is doing just that through **[EmployeeRxEvolution](#)**

https://higherlogicdownload.s3.amazonaws.com/MBGH/4f7f512a-e946-4060-9575-b27c65545cb8/UploadedImages/Specialty%20Pharmacy/RxEvolution/EmployerxEvolution_Booklet_5119.pdf

Now is the time to take charge and demand that middlemen remove waste in the system and for those who resolve to better manage pharmacy benefits in 2020, a new perspective is required. This means employers must work together and seek out experts to implement these strategies to realize cost savings and improved health.

Denise Giambalvo is vice president for the non-profit **Midwest Business Group on Health** (<https://www.mbg.org/home>)

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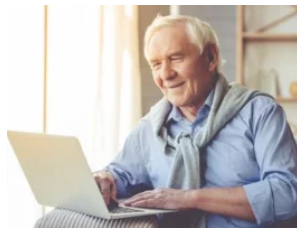
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