



One Side . One Focus . One Objective

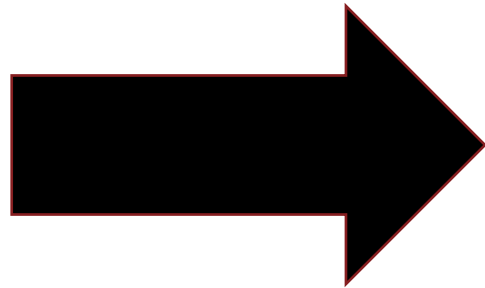
# REMOVING THE VEIL OF SECRECY SURROUNDING PBMs AND PHARMACY COSTS

# Ground Rules/Expectations

- First and foremost – ***no bashing of any specific PBM or other pharmacy entity***; you may mention issues you are having and ask questions about those issues but NO NAMES PLEASE!
- ***Any PBM can manage customers successfully on all of the evaluation criteria***; we will discuss how you can have a discussion with them about achieving better results against these criteria
- ***This presentation is not about replacing a PBM partner***; it's about working together to achieve acceptable outcomes for your mutual customers
- Understanding the nuances in pharmacy pricing will help you deal with all the questions surrounding pharmacy costs
- ***Purpose of this session is to answer the questions you have, not the ones I think you have!***
- Knowledge is power!

# What You Need to Know About Me

## My Favorite T-Shirt



I am an Engineer, not a Pharmacist; I believe pharmacy purchasing decisions should be made using dollars and cents, not averages and percentages. Averages and percentages are the two worst numbers in mathematics and they are used constantly in pharmacy pricing.

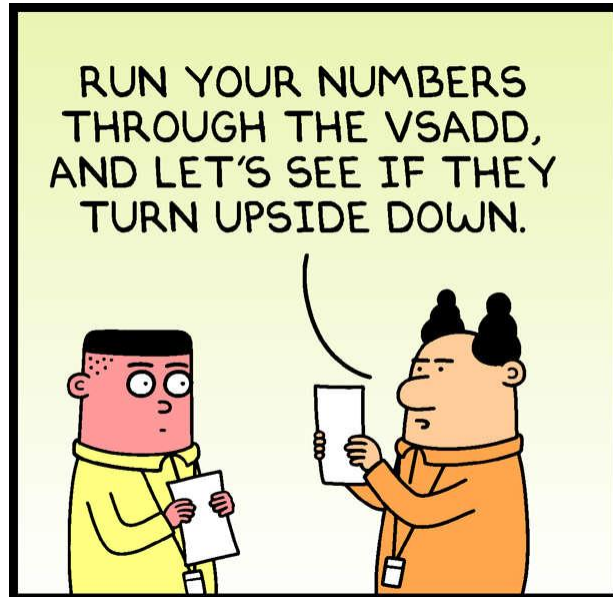


ENGINEERS AREN'T  
BORING PEOPLE,  
WE JUST GET  
EXCITED BY  
BORING THINGS

# TOPICS FOR DISCUSSION

- Pharmacy Terms and Acronyms
- Pharmacy Ecosystem
- Evaluation Criteria for PBMs
- Closing Remarks

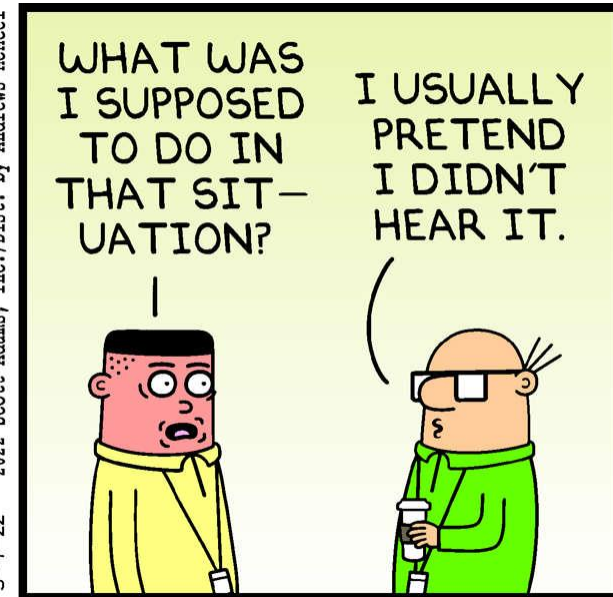
# Pharmacy Terms and Acronyms – Meaning and Use



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# Pharmacy Acronyms – Meaning and Use

**AWP - Average Wholesale Price** - a drug price data point that has evolved over the past 40 years. Originally, it was intended to represent an average of prices for which certain large wholesalers reported they would sell a medication to providers or pharmacies. Now, ***AWP is more like a manufacturer-reported “list price.” It is not based on actual wholesaler sales information, and it is usually higher than the price at which wholesalers will sell a drug to a provider or pharmacy***

**CBP – Calculated Benchmark Price** – custom price field calculated based on drug pricing reported by drug manufacturers to First Databank and “similar to the discontinued AWP”

**WAC – Wholesale Acquisition Cost** – Manufacturer’s published catalog or list price for a drug product to wholesalers as reported by the manufacturer; does not represent actual transaction prices

**GER – Generic Effective (or Equivalent) Rate** - A GER is a contractual rate where the full cost (reimbursement plus copay) of all generic drugs over a certain time frame should equal a certain percentage of AWP; typically seen in large chain agreements, not as much in Independent retailers

**NADAC - National Average Drug Acquisition Cost** is a drug price data point that based on CMS (Centers for Medicare and Medicaid Services) surveys of chain and independent pharmacies to determine prices retail pharmacies pay to purchase drug products. It is intended primarily for use by state Medicaid. NADAC data is proprietary to CMS

# Pharmacy Acronyms – Meaning and Use

**WAAMP – Weighted Average of Average** Manufacturer Price – reported by CMS; Average Manufacturer Price is a drug price data point indicating the average price paid to manufacturers by wholesalers for drugs that are ultimately distributed to retailers. AMP is based on actual drug sales information reported to CMS by drug manufacturers.

**MAC – Maximum Allowable Cost** - refers to a payer or **PBM-generated list** of products that includes the upper limit or maximum amount that a plan will pay for generic drugs and brand name drugs that have generic versions available (“multi-source brands”)

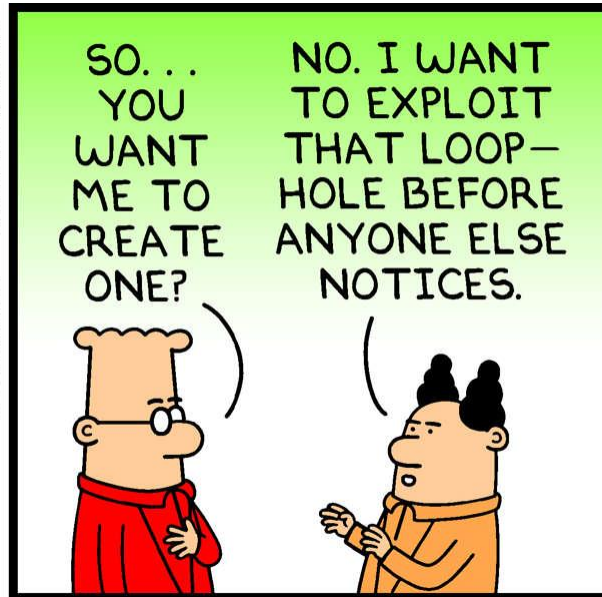
**PATIENT ASSISTANCE PROGRAM (PAP)** - usually sponsored by pharmaceutical manufacturers, are promoted as a “safety net” for Americans who have no health insurance or are underinsured. The goal of these programs is to **provide financial assistance to help these patients access drugs for little or no cost.**



# Pharmacy EcoSystem



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# PBM SELF FUNDED BENEFIT PLAN



# Evaluation Criteria for PBMs Self-Funded Employer Pharmacy Program

I have never lied to you, I have always told you some version of the truth.

**PBM**



- Specialty Drugs
- Network Management
- Brand Drugs
- Generic Drugs
- Overall Cost Management
- Report Cards

# ▪ What is a Specialty Drug?

## Definitions:

HealthInsurance.org - Specialty drugs are high-cost prescription medications used to treat complex, chronic conditions like cancer, rheumatoid arthritis, and multiple sclerosis.

CMS - CMS Part D drug benefit defines a specialty medication as a **drug with a minimum monthly cost of \$670 and requires a higher cost share for the patient.**

*M. Walton – for any analyses performed, a Specialty Drug is drug that has a Patient Assistance Program available*

There are well over 300 drugs that have PAPs available

Defined by How Administered (i.e. injectable, tablet, liquid)?

Defined by Where Administered (i.e. Home, Doctor's Office)

Defined by Cost?

Defined by Patient Assistance Program Availability?

Tagged as Specialty in pharmacy claims file?

Other?

# Specialty Drugs

What % of Total Drug Expenditures is Specialty on a well-run plan?

- 50%
- 30%
- 10%
- 0%

Answer:

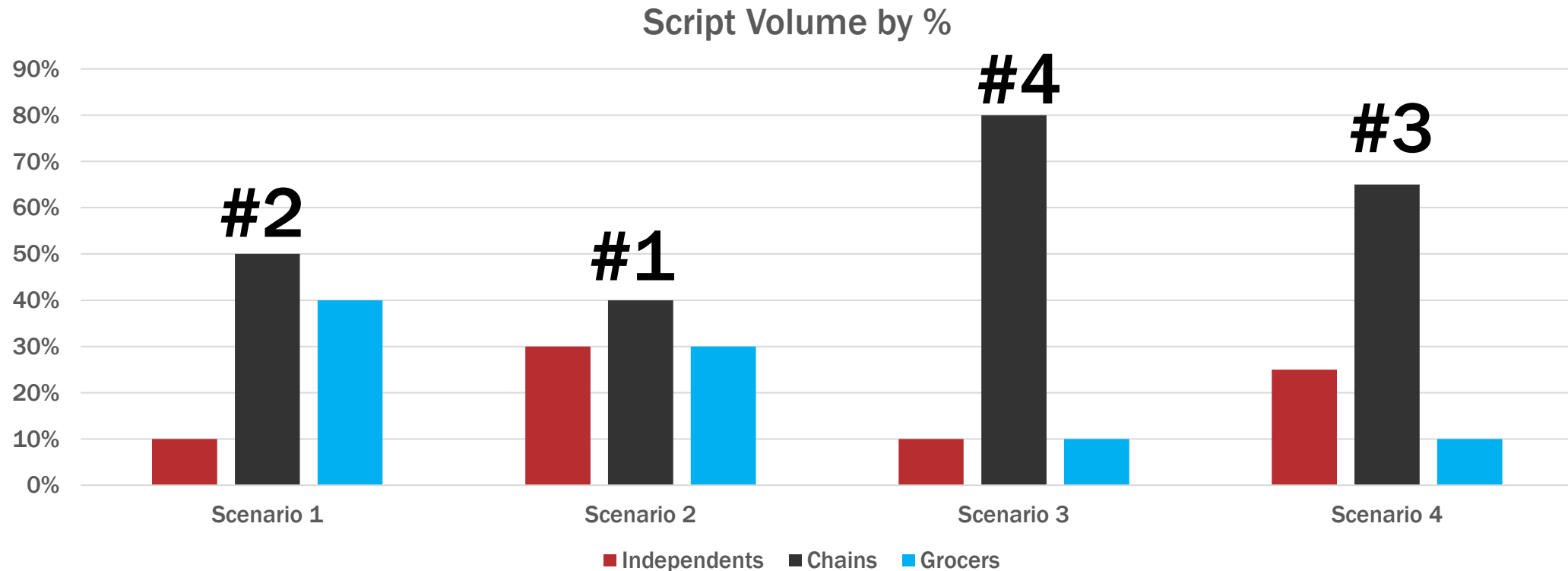
- It Depends.....PAPs vary in success
  - For a plan with a significant number of low-income members, 0% or 10%
  - For a plan with a significant number of high-income members, 30%
  - For a plan that wants no disruption to members, 50%
- How do you decrease cost?
  - Change coverage options; retain organization with significant results and satisfaction ratings to manage moving specialty cost to Pharma funded or independent foundations

# Specialty Drugs - Cost

Drug	Treats	Cost
Orkambi	Cystic Fibrosis	\$22K
Humira (#29 of Top 200 Drugs Prescribed)	Crohn's Disease, Psoriasis	\$9K to \$26K
Aubagio (#175 of Top 200 Drugs Prescribed)	Multiple Sclerosis	\$9K
Nubeqa	Prostate Cancer	\$12K
Mektori	Melanoma	\$13K

# Network Management

Rank Below Scenarios 1<sup>st</sup> (Best) through 4<sup>th</sup> (Worst)





# Key Points on Network Management

- Large national chains have availability every where (almost) and are a very popular choice for members
- Grocers do not typically stock as many different variations of drugs as stores primarily focused on drugs as their business
- Independents usually have contracts that pay lower amounts for same drug options
- In order of cost preference...Grocers and Independents are essentially the same, Chains are higher cost





# Discounts Prep – Brands and Generics

## Medispan vs First Databank

### **MONEY - Medispan**

- 1) M – Considered Single Source, co-licensed**
- 2) O –Original Manufacturer, Generics Available (Innovative Multiple Source)**
- 3) N – Single source, no generics available**
- 4) Y – Considered Generics Multi-Sources (non-innovative multiple source)**

### **First Databank**

- 1) Single Source**
- 2) Multiple Source**

# Brand Drugs

- When is a brand drug a good choice?
  - A. It treats a disease state or condition that no other medication is available to use
  - B. It combines two generic drugs used to treat a disease state or condition into one drug for patient convenience
  - C. It has an incredibly high rebate
  - D. All of the above
- What is a good percentage of total dollars spent for brand drugs?
  - A. 25%
  - B. 50%
  - C. 75%
  - D. >75%

# Brand Discounts

- Most analyses show brands are being delivered at close to the average discounts quoted – 16-20%
- Higher discounts are usually on PBM owned mail order centers where they have more control
- Bigger issue in brands are rebates
- Are rebates ever a good deal?
- “Rebate Addiction” costs plans a lot of money
- When are rebates paid? 12 to 15 months after the drug was purchased
- What happens if there is an early termination on a PBM contract?  
Immediately upon termination, future rebates go away

# Duexis

## Example of Merging Two Drugs Into One for Patient Convenience

Generic Approved September, 2021

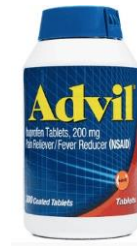
Note Strength of 800mg/26.6mg

Price impact for conversion from brand-name Duexis to generic ibuprofen-famotidine or its individual generic components for WCMSAs, using September 2021 WCMSAP pricing .

Product with strength and formulation	National Drug Code (NDC)	AWP unit price
Duexis 800-26.6 mg tablet	75987-0010-03	\$33.09
Ibuprofen-Famotidine 800-26.6 mg tablet	67877-0626-90	\$11.08
Ibuprofen 800 mg tablet*	00904-5855-60	\$0.14
Famotidine 20 mg tablet†	72606-0509-02	\$0.14
Famotidine 40 mg tablet†	72606-0510-02	\$0.28

Source: Optum WC Focused Web Page

What is Duexis? 2011



1984

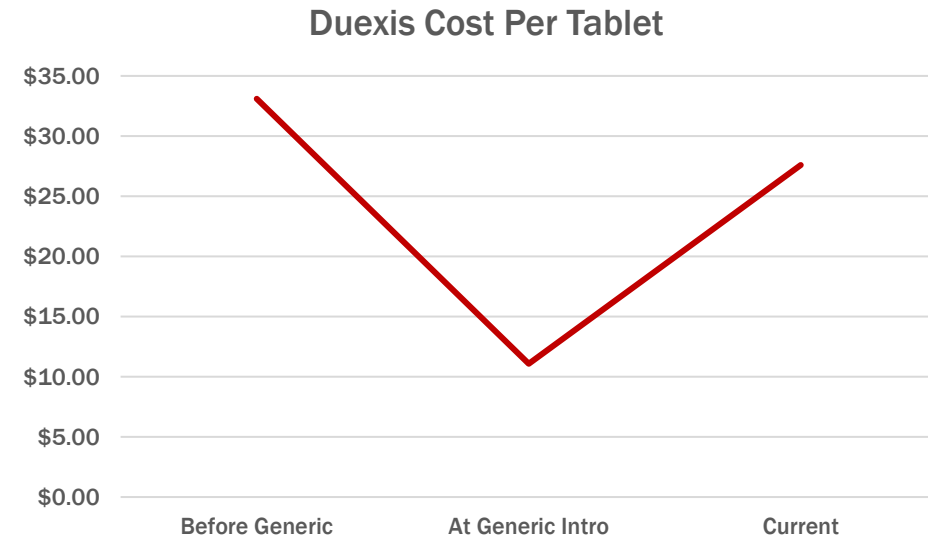
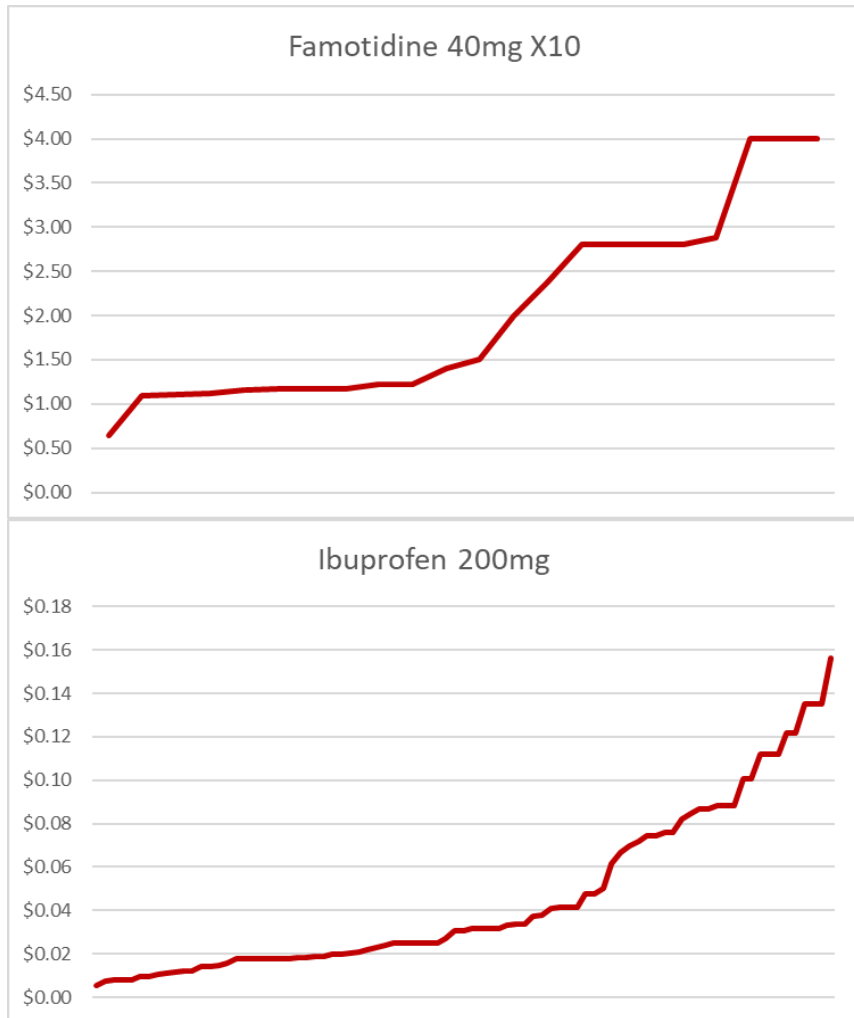


1995

- Combination of Famotidine and Ibuprofen
- Famotidine primarily treats GERD (Pepcid)
- Ibuprofen (Advil) treats pain

# Famotidine, Ibuprofen and Duexis Pricing Chart

Data Points on Left Charts are Different Manufacturers of Same Drug



# Discounts Prep – Brands and Generics - Refresher

## Medispan vs First Databank

### **MONEY - Medispan**

- 1) M – Considered Single Source, co-licensed**
- 2) O –Original Manufacturer, Generics Available (Innovative Multiple Source)**
- 3) N – Single source, no generics available**
- 4) Y – Considered Generics Multi-Sources (non-innovative multiple source)**

### **First Databank**

- 1) Single Source**
- 2) Multiple Source**

**This is the same medication you have been getting. Color, size, or shape may appear different.**

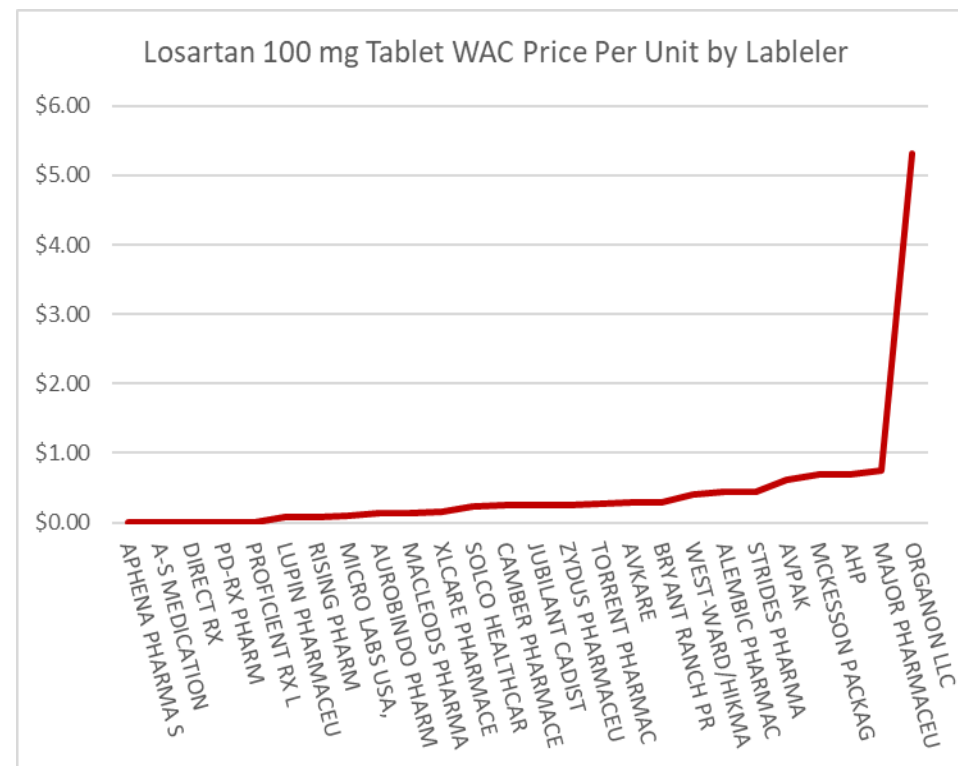
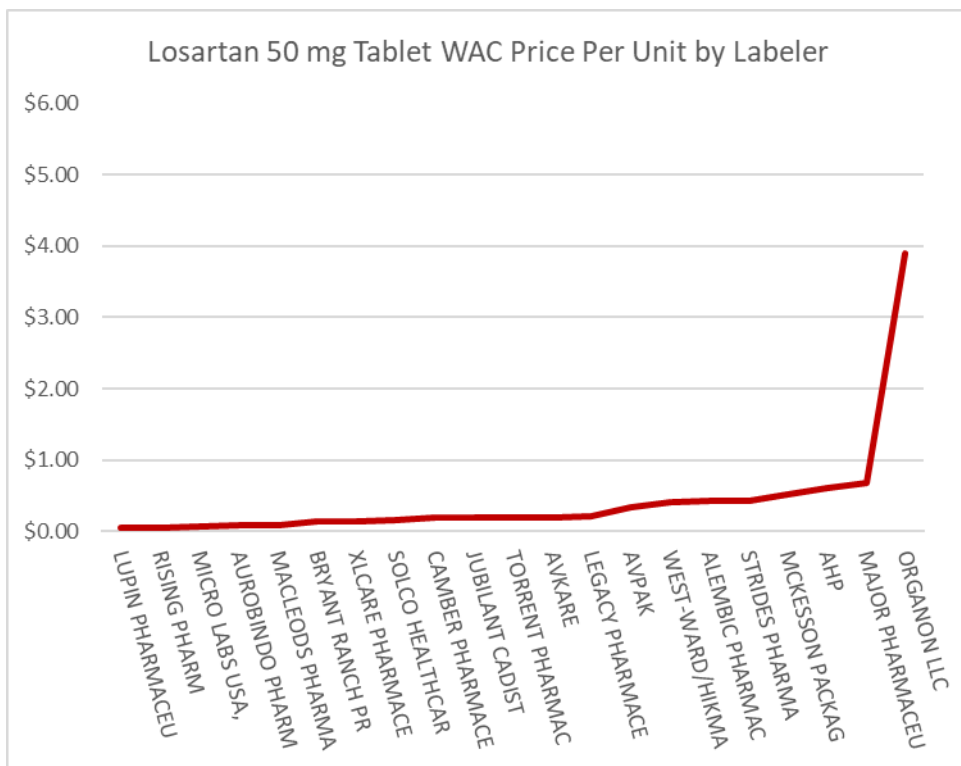
**Have you seen this label on any of your medications?**

There are a large number of options for filling the same generic drug, same form, same strength...but it may look different depending upon the labeler (manufacturer)



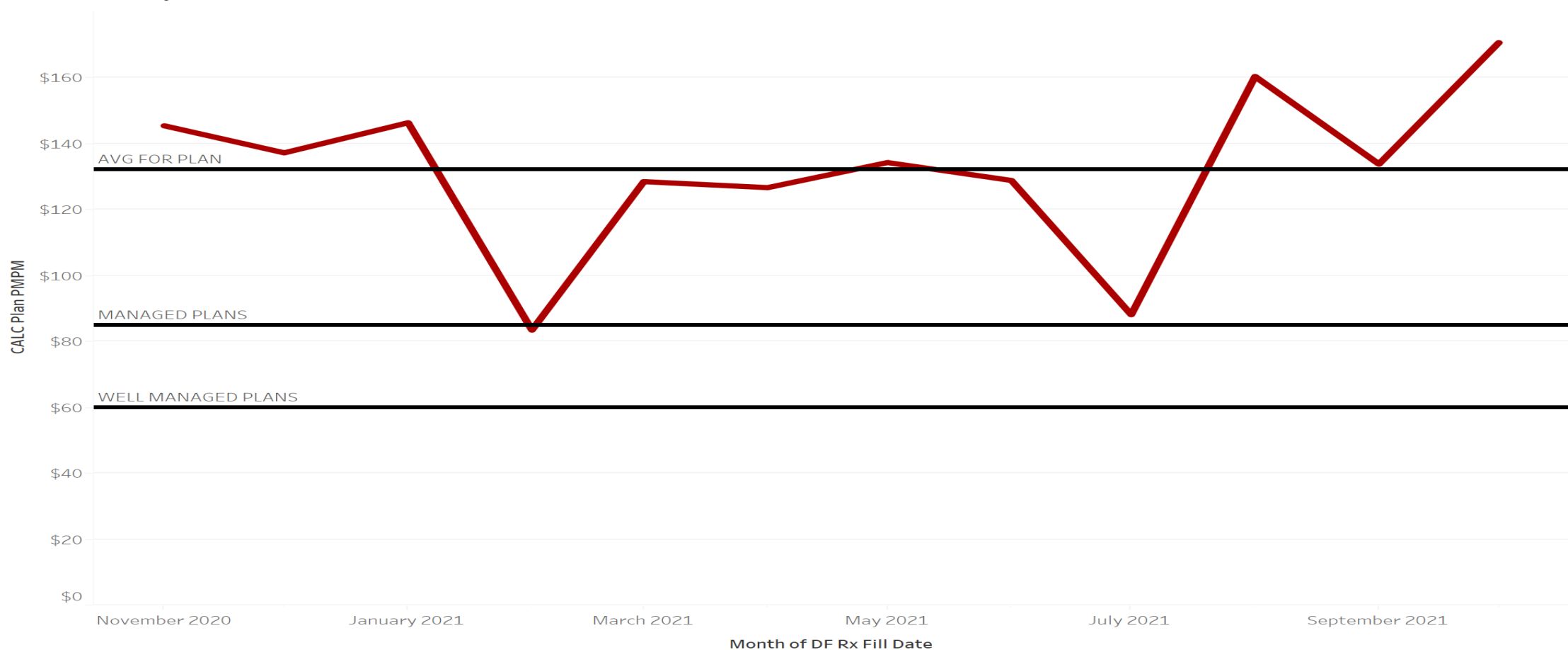
# Generic Drug Labeler Pricing Example

## 21 Options for Both Strengths Shown



# Per Member Per Month (PMPM) Analysis

PMPM Analysis Based on 606 Members



The trend of CALC Plan PMPM for DF Rx Fill Date Month.

# Report Card for Pharmacy Performance

## Should Be Easy to Understand With Data Supporting Grades



# TPA Employer Groups

## Sample Pharmacy Report Card – Easy to Understand at a Glance

Group Name	Specialty Drugs	Network Management	Brand Drugs	Generic Drugs	Overall Cost PMPM
Texas Tornado	F	C	A	C	C
High Winds	D	A	A	D	C
Thunderstorm	A	A	A	A	A
Hail Economics	D	F	B	D	C
Calm Sea	C	D	A	C	C

### Notes:

- 1) Grades assigned using values in 10 point increments
- 2) Easy to see at a glance how a group is doing; not nebulous, a grade is assigned based on score
- 3) *Like other grading systems, the reasons behind the grade and what you do about it are as important as the grade itself!*
- 4) *Most important category is Overall Cost PMPM*
- 5) Any C's or below get specific comments on why a group has that result

# TPA Employer Specific Group

## Pharmacy Report Card – Sample Comments for Specific Group

Group Name	Specialty Drugs	Network Management	Brand Drugs	Generic Drugs	Overall Cost PMPM
Hail Economics	D	F	B	D	C

- **Specialty Drugs** – averaged above 30% for the last six months; two new members filled specialty scripts in the last month placing this group; a significant development putting group at risk for ongoing high cost
- **Network Management** – over 60% of scripts were filled at major chains in areas where independent retailers and grocers with pharmacies are available
- **Brand Drugs** – the discount experience is on track with expected percentage off from the PBM contract; total spend for brands is a little high at 28% but not enough to be concerned about if drugs filled were the “right ones”
- **Generic Drugs** – high number of scripts were filled with higher cost generics when over 20 different options with lower cost are available; pricing for generics are not at an acceptable discount level
- **Overall Cost** – currently at \$78 PMPM; primary cost drivers are high cost on specialty drugs and overpriced generics
- **Recommendations:**
  - Discuss with PBM any programs available for lowering specialty drug cost; simultaneously pursue quotes from standalone companies that effectively manage specialty
  - Change Plan to Incent members to purchase drugs at less expensive grocers and independent retailers which are 3% to 5% lower contractually; potential savings of \$20/script impacted
  - Re-visit strategy with PBM on how generic drugs are priced

# Why Use a Report Card?

- Tendency for PBMs, just like anyone else, is to talk about and highlight the things that are going well
- Having a grade of how well a program is running in multiple areas of cost management changes the focus to improvement in areas not going well
- Report Card system is set up to monitor key areas of cost management, but Rebates are not included; hard data to get and paid slowly; making pharmacy decisions to get high rebates is a very bad decision and costs significantly more than the rebate amounts received

# Closing Remarks

- Education and Information can turn the tide on pharmacy costs
- Find a way to evaluate which areas are concerning, not just the overall trend on cost
- Interactive discussions with your PBM using questions based on data can result in improved costs for your customers; PBM reaction during those discussions will tell you if you have a good relationship
- Do not allow your customers to become “Rebate Addicts”
- PBMs may be your point of contact for pharmacy costs but do not assume they are the reason behind every cost issue experienced

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