The PBM Insider:
A Guidebook for Gaining Control Over Your Pharmacy Benefits Manager and Prescription Drug Costs
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Introduction

Working with a Pharmacy Benefits Manager (PBM) to manage your prescription drug benefit is an important undertaking. Not only do you want your PBM to provide high levels of service and member satisfaction, you also want to make sure you are receiving the best pricing available. Most importantly, you want to make sure your PBM acts in your best interests.

With all the consolidation that has occurred in the PBM market in recent years, many employers and other purchasers of PBM services have resigned themselves to assuming they don't have a lot of choices or clout when choosing a PBM. But that assumption is wrong. The current PBM and drug pricing market is evolving very rapidly, presenting more opportunities for employers to receive favorable pricing options as well as higher levels of customer service.

The goal of this guide is to give employers valuable insights into the current PBM market and practical suggestions to ultimately help you save money on employee prescription drug costs. Whether you and your organization are experienced and comfortable working with PBMs or are new to the process, this guide will give you the information and tools you need to be better negotiators and smarter purchasers of PBM services. Not only helping your company's bottom line, but ensuring that your employees and their dependents can continue to have access to the medications they need for years to come.
CHAPTER 1

6 Things Every Pharmacy Benefits Management Contract Should Contain Before You Sign

Evaluating and selecting a Pharmacy Benefits Management (PBM) vendor is a very important decision that will significantly impact how much your company spends on prescription drugs each year. It will also impact the levels of service and access to medications that your employees and members receive so they can stay healthy and productive. But as most organizations know firsthand, understanding what is in the PBM contract can be one of the biggest challenges.

A key reason is the sheer complexity of the business model and lack of transparency that has long been part of the PBM world. Getting a good 360-degree view of how a PBM company operates, what it does, how it determines pricing, and what you should expect can feel daunting. PBMs know this, so they don’t expect you to ask that certain protections and clarifications be included in the contract language. Unless, of course, you know specifically what to ask for.

Here are 6 key elements you should always make sure you include in your Pharmacy Benefits Management contracts and understand fully before signing on the dotted line.

1. Specific definitions and clarity of key terms. It’s important that you get clear definitions on just about every term referred to in your contract as many of these terms are subject to broad
interpretation by the PBM vendor. Even terminology that may appear to be obvious on the surface often isn’t. For example, what exactly is a “generic” drug? Does that include single-source generic drugs (which are more expensive than multiple-source generics)? Or do exclusive generics represent a separate category? How is “brand” drug defined? These terms can have different meanings, interpretations, and applications, all of which will have a direct impact on pricing and discounts for which your organization is eligible. So be clear from the start.

2. **Guaranteed drug discounts by dispensing location, rather than collectively across all locations combined.** Separate dispensing locations should include retail pharmacy, mail order, and specialty pharmaceuticals. You should negotiate guaranteed discounts or savings for each dispensing location, rather than a blended discount or savings across all locations combined. This will work to your advantage financially.

3. **The right to audit your PBM vendor using an independent, outside expert.** PBM vendors promise a lot in terms of guaranteed pricing, performance, and service delivery. But don’t just take their word for it that they are doing what they agreed to. Make sure your contract has a clause allowing you to hire an outside, independent auditor to periodically review how the PBM vendor is doing. In many cases, auditors will find errors that result in the vendor having to pay back significant sums of money. *(In Chapter 4, we will discuss in more detail why you should audit your PBM vendor regularly and how that benefits your organization and your employees and members.)*

4. **Termination clause with specific provisions.** You should always have the right to cancel a contract should you not be satisfied with your PBM vendor. Be clear on what kinds of fees you will be charged should you terminate the contract early. Make sure there is specific language in the contract outlining what closing your account would look like in terms of timing, transfer of information to a new vendor, and other operational considerations. Depending on the size of your account or number of lives, you can often negotiate a 90-day out clause without cause after the first year.
5. **Clarity on any fees or penalties regarding Prior Authorization Use and Mandatory 90-Day Supplies.** In some markets, PBM firms may want to charge or penalize you if you request that specific Prior Authorization (PA) flags be used on certain high-cost medications, including specialty drugs. They may also impose penalties if you don’t require your employees to use mail service or 90-day supply dispensing at select retail locations. Be sure you know what you want your company and for your employees and members — and know what you may have to negotiate on — so there are no unpleasant surprises later.

6. **Have solid “guaranteed reconciliation” language in your contract.** Make sure there is a clause in the contract requiring that your PBM vendor regularly monitor and report on the actual discounts that they have achieved on your behalf. Essentially it is a performance guarantee. If certain discounts aren’t achieved as projected, then any shortfalls should be returned to the employer.

Knowing your rights as a purchaser of PBM services and knowing what to ask for upfront will help you avoid being blindsided later if things don’t go the way you envisioned. It will also make your company more effective and more confident the next time you have to sign a new or renew an existing PBM vendor contract. In the next chapter, we will discuss a few other things you should know about PBM companies prior to entering the PBM procurement and contracting process.
CHAPTER 2

5 Things Your PBM Doesn’t Want You to Know About PBM Contracts and Procurement

As we alluded to in Chapter 1, Pharmacy Benefit Management (PBM) contracts are complicated, nebulous, and non-transparent on many fronts. So how can employer purchasers really know what is going on behind the scenes? How can employers trust PBMs to do what is in the best interests of the employer’s finances, versus what’s most profitable for the PBM?

We've compiled a list below of things PBMs would rather you didn't know about PBM contracts. Knowing these ahead of time will make your company a savvier purchaser of PBM services, and put you in a stronger position when it comes time to sign or renegotiate your PBM contracts.

1. **PBMs have many “hidden” revenue sources.** Traditionally, PBMs have made money off the rebates they negotiate from drug manufacturers. (We will discuss what you should know and do about PBM rebates in more detail in Chapter 5.) But in recent years, as employer clients have garnered a greater percentage of those rebates back from the PBMs, PBMs have sought out and implemented new revenue streams. One of these is selling data on drug utilization patterns back to manufacturers. The manufacturers, in turn, use the data to develop sales and marketing strategies for their drug products. Sometimes, it will be specified in the PBM contracts that the PBM may sell de-identified data regarding your employees’ or members’ usage of these drugs to manufacturers. But other PBM contacts will not mention this. Don’t be
afraid to ask for this information, as it is your right as an employer to know. You can also ask that your information not be used by the PBM. And be aware of the potential conflict of interest a PBM has between controlling employer drug spend on the one hand while sharing utilization data with drug companies looking to boost drug utilization and sales.

3. **PBMs would rather improve or sweeten your PBM contract terms in the final year of your contract than have you go out to bid.** Many employers mistakenly assume that once a PBM contract is signed, it's over and done with, and further negotiation isn't feasible. But the market is changing very quickly. This means rebates and discounts you negotiated 2 or 3 years ago as part of your PBM contracts are no longer competitive, given the amount of rebates and discounts available in today's market. If you are in the later years of your PBM contract, you can ask your PBM to re-negotiate at a better rate before the contract is up, especially if you are willing to renew. PBMs will often agree to this rather than have your company go out to bid.

4. **PBMs are afraid of losing your business.** Many employers mistakenly assume that they have little clout or leverage in today's market. That's because PBMs have consolidated to the point that there is hardly any competition left. But in fact, employers still have an edge. Because there are so few PBM players, and because PBMs have little if any room for organic market share growth, the only way PBMs can grow or maintain their revenue is to take business away from their competitors. So this gives employers a lot of negotiating leverage to get better pricing in their PBM contracts.

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Many employers mistakenly assume that they have little clout or leverage in today's market.
5. **Employers that use qualified, experienced PBM consultants get better deals as part of their PBM contracts.**

Given the complexity of dealing with PBMs, it is advisable to use an independent, expert consultant who can help you navigate the terrain. Consultants know the latest marketplace pricing and other trends so you can take advantage of emerging opportunities and include specific terms in your PBM contracts. Consultants with deep expertise know from experience what pitfalls to avoid and how to compensate and adjust so you can get a more favorable outcome. Think about how many PBM contracts you see each month versus how many are reviewed by a solid consulting firm that focuses on that industry. It’s somewhat akin to having surgery: you will want to go with the surgeon who has done the most procedures to increase your chances of a successful outcome.

Now that you know that it's possible to have more clout with your PBM than you may have realized, we will discuss in the next chapter specific things you can do to maximize your negotiating leverage with your PBM.
CHAPTER 3

8 Ways to Maximize Negotiating Leverage for PBM Services

Some employers may dread the thought of negotiating or renegotiating contact terms for Pharmacy Benefit Management (PBM) services. For some, the process simply seems too complex and time-consuming. Or they fear that changing their current PBM to a different vendor will be problematic and fraught with implementation glitches. Other employer groups may shy away because they fear asking for better terms will upset the PBM and make them more difficult to work with.

But these concerns are largely unfounded. The negotiating process for PBM services doesn't have to be hard or protracted if you keep a few important things in mind. The following tips should help your organization maximize your negotiating leverage for PBM services so can save time and money.

1. **Don't be afraid to ask for better pricing.** As the employer purchaser, it is your right and your fiscal duty to always try to negotiate a better deal for PBM services. Asking for better terms is not going to hurt your relationship with your PBM or the level of PBM services you receive. It will just make you a smarter purchaser. That's good for your company and your employee beneficiaries.

2. **Use the RFP process to your advantage.** PBMs know that many employers are reluctant to change PBMs, so they often offer to renew the contract at terms that are just good enough to keep the client. By issuing an RFP to evaluate multiple vendors, you have a better chance of renewing with your current PBM at a market competitive rate.
3. **Don’t assume there aren’t better options available. There are.** Given the consolidation in the PBM industry, a lot of employers have allowed PBMs to gain the upper hand in negotiations. As we mentioned in the previous chapter, while it is certainly true that there is less competition to choose from, it is also true that there is very limited new market share for PBMs to gain. Your PBM needs to keep your business. This means they are often willing to make concessions if they think your company is dissatisfied with its PBM services or likely to go out to bid again. They would rather keep you than risk losing you.

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4. **Avoid three-year and five-year PBM services contracts.** Many employers lock themselves into three- or even five-year deals with their PBM, thinking that guarantees them better prices. And many employers don’t like two-year PBM services contracts because they don’t want the administrative work involved in issuing an RFP every other year. However, the PBM services market and its pricing patterns are changing very fast. Therefore, locking into a three-year or five-year deal means you will likely miss out on better pricing that would otherwise become available. A better option: negotiate a two-year PBM services contract that contains an option for you, the employer, to renew in Year 3 at your discretion. This puts you in control, and makes you better able to capitalize on emerging PBM services market opportunities. This approach also gives you flexibility should other corporate administrative platforms, such as medical carriers or human resources service solutions, require a change or adjustment of priorities.

5. **Be wary of PBM market check language in your contracts.** Many employers mistakenly assume that so-called “market check” provisions protect them in the event better pricing for PBM services becomes available after they are already in a PBM contract. But this language almost always favors the PBM. And it puts the onus on the employer to “prove” that the pricing they got is less favorable than what’s going on in the market at large. You always want to have the option of using external consultants to evaluate the market. You can’t prove anything without financials, and if you ask the PBM for numbers, they will generally tell you they can’t share financials they consider proprietary. So be wary of this Catch-22.

6. **Don’t overlook mail service and specialty drugs as potential levers.** PBMs make a lot more money on prescriptions dispensed through mail service or their preferred pharmacies, compared with the entire retail market. If your employer group’s mail service utilization rate is significantly higher than the national average rate of 15%, you have more negotiating clout. As for specialty drugs, that’s
where PBMs often generate high margins as well. Therefore, having an exclusive specialty arrangement through your PBM also gives you more negotiating leverage for demanding better discounts.

7. **Don’t overlook smaller, up-and-coming PBMs.** The three big PBMs are not the only game in town. If your company has 10,000 or more lives, you will have a lot more leverage if you are willing to contract for PBM services with some of the smaller so-called “next tier” PBMs. For these smaller PBM players, 10,000 lives represents a big account. So they will often be willing to give you better pricing and other favorable service terms, and your employees may see improved account services as well.

8. **Don’t assume a collaborative or cooperative purchasing group guarantees the best financial arrangement.** This is a commonly-believed myth. In fact, large employers can often negotiate and get a better PBM contract deal specific to their population and employee utilization patterns than they can if they are part of a large buyer group.

With a better understanding of how to procure and negotiate contracts and pricing with your PBM to secure the most favorable terms, how do you also ensure that your PBM is living up to what it promised? We will explore this in more detail in the next chapter on auditing your PBM.
If you are like most employers, when you contract with a Pharmacy Benefit Management company (PBM), you assume that it delivers on getting you the best drug prices and other discounts you are entitled to. After all, PBMs are the experts on drug prices and have leverage with drug manufacturers to negotiate the best drug prices on behalf of their employer clients.

But it’s virtually impossible for most employers to know whether the PBM has accurately delivered on providing the best overall drug prices agreed to. That’s because PBM formulas for calculating total drug prices have to take into account manufacturer rebates, pharmacy discounts, and many other factors, including benefit design. These factors, in turn, have many variables, caveats, and moving parts that constantly change — affecting your total drug prices.

The process of calculating actual drug prices is complex and fraught with the potential for error. Your PBM may provide detailed financial statements and reports on a quarterly basis showing how your drug prices were calculated. But it is rare for an employer or general healthcare consultants to have the expertise to identify possible errors or miscalculations. These can end up costing the employer significantly.

For this reason, it is a best practice to hire an experienced, independent third-party reviewer with extensive experience in PBM pricing analysis to periodically do a thorough audit of your PBM. Your company will benefit from such audits in at least 7 different ways:
1. **You will avoid leaving money on the table.** PBM contracts contain many performance and other monetary guarantees designed to help employers get the best overall drug prices. Your contract is also full of many caveats that affect pricing at different times during the contract period. PBM analysts do their best to apply these formulas correctly. But they can, and often do, make mistakes. In fact, significant mistakes can occur almost 50% of the time — frequently costing the employer tens of thousands of dollars on drug prices. Doing an audit will help you identify and recoup money you are entitled to.

2. **You will identify potential errors early so you can avoid paying out money later.** The PBM analysts sometimes make mistakes on drug prices in the employer’s favor. But if the PBM later determines that it mistakenly overpaid rebates to the employer’s account, it may invoice the employer for the amount it determines it overpaid. So don’t wait for this unexpected turn of events to happen. An audit will help you catch these errors earlier so you won’t be on the hook later for large payback amounts.

3. **You will increase your odds of catching and recovering money related to fraud and abuse.** PBMs put mechanisms in place to try to ensure that the employer is not paying for drugs that should not be covered under the benefit design. They also have safeguards to deter dispensing retail pharmacies from trying to fraudulently game the system in their favor when they bill. But the PBM can miss things or be slow to react to trends in the market. For example, a dispensing pharmacy may “compound” two low-cost drugs and then tack on a huge markup on the total drug dispensing invoice. Wide scale abuses of this kind that occurred a few years ago in some markets went largely under the PBMs’ radar. Doing audits can help catch and prevent this kind of systemic abuse and save money that would otherwise be misspent.

4. **You will be better able to protect the health and safety of your employees and their dependents.** PBMs also have mechanisms in place designed to help prevent inappropriate or potentially dangerous drug use that poses patient safety issues. But again, PBMs can’t catch everything. For example, a PBM may not always flag or catch a situation where a patient has been taking a controlled substance for too long. This in turn means the PBM is unable to help prevent that patient from developing a drug addiction or spot potential drug abuse. By doing thorough audits, you will be better able to proactively identify and prevent some of these issues from occurring.
5. **You will be better able to protect your members financially.** Given changes in laws and regulations at the state and federal levels, it is not uncommon for PBMs to make mistakes and sometimes charge members copays for certain prescriptions that members should not have to pay for out of pocket. These can include items such as birth control or smoking cessation products. Again, an audit can help determine if the PBM may be accidentally overcharging your members — and help you get those monies returned.

6. **You will be better able to determine if your company and your members are getting the levels of service the PBM agreed to provide.** Most PBM contracts contain performance guarantees that go beyond just getting the best drug prices. A PBM may be required under contractual performance guarantees to provide high levels of service or pay a financial penalty. Performance may be tied to such things as having a certain percentage of claims processed without errors. Or they may be linked to member call wait times, members’ ability to get issues resolved on the first call, or the promptness and accuracy of member mail order shipments. Conducting audits enables you to determine whether the PBM is doing a good job — and if not, what money you are entitled to recover.

7. **You will be in a stronger position to negotiate your next PBM contract more effectively.** Finally, because doing audits will help you pinpoint any potential problem areas, this will enable you to be more savvy and effective in re-negotiating drug prices and other terms in your future PBM contracts.

There are many areas on which you may want to have your PBM audited. One of the most important in today's market concerns PBM and manufacturer drug rebates. We discuss this more in the next chapter.
Each year billions of dollars in manufacturer rebates are at stake for both PBMs and the employers they serve. So how can you know whether your company is getting your fair share of manufacturer and PBM rebates, given the ever-changing drug pricing and rebate dynamics?

Now is an especially important time to ask this question. That’s because PBM rebate potential is growing very rapidly in today’s market — largely driven by the rebates generated from costly specialty drugs. So the opportunities to recoup more of your drug benefit dollars have never been better. Additionally, there are new emerging options for employers to lower their net drug spend and reduce their dependency on market rebates altogether.

The following tips are designed to help you optimize your PBM rebates so you are not leaving money on the table that you are entitled to.

1. **How rebates are defined is as important as what percent your contract provides.** How your contract defines rebates and what manufacturer payments can be retained by the PBM can greatly influence the dollars you will receive. Having a trusted independent consultant guide your procurement and contract negotiation can help you capture the maximum value due to you.

2. **Make sure your PBM is meeting its contractual rebate obligations.** PBMs self-report rebate data financials to employer clients. Because PBM rebate calculations are
complicated, they can often be wrong as a result. And because most employers don’t understand how PBM rebates are calculated, mistakes generally go unnoticed. Hundreds of thousands, to millions of manufacturer and PBM rebate dollars, can be at stake for your company. That is why it is best to hire an outside PBM consultant with the appropriate PBM financial expertise to review the PBM-provided data to make sure you are getting credited the proper manufacturer and PBM rebates.

3. **Expand your independent, third-party audit to encompass manufacturer rebate data, not just PBM rebate data.** To take this to an even deeper level, hire an independent, third-party auditor to closely examine the rebate agreements entered into between the PBM and the drug manufacturer. As with any audit, there are no guarantees, but in our experience, more than 50% of such audits will reveal that the PBM’s employer client is not receiving the rebate amounts they should be getting, based on the agreements signed between the drug manufacturer and the PBM. In the vast majority of cases, the money recouped will more than pay for the cost of the audit itself.

4. **Make sure your rebate auditor has the right experience and expertise.** Be sure to choose an auditor who has a very detailed understanding of PBM rebates, manufacturer rebates, and PBM financials. This goes above and beyond doing the typical pharmacy claims or pharmacy rebate audit. Experience truly matters here. Ask how many audits the person has done, and what background the auditor comes from. For best results, you will want your auditor to have worked previously for a PBM within their rebate department. Also, ask what percentage of audits have resulted in “lost” rebate dollars being identified and collected. It should be at least 50% of the time to ensure you are not wasting time and money on a fishing expedition.

5. **Optimize the timing of your PBM rebate audit.** To get the most accurate picture of your rebate dollars, make sure your audits cover a full calendar year period. Given reporting lag times, you will want to wait to do the audit to at least 180 days after the end of the last quarter you wish to have audited. So, to audit your rebates for calendar year 2016, you will want to start your audit in 3Q 2017. Because every PBM is different, it is best to work with your auditor regarding timing for notifying your PBM of your intention to conduct an audit.

Hundreds of thousands, to millions of manufacturer and PBM rebate dollars, can be at stake for your company.
Even if you don’t believe there’s a need to pay for a full audit rebate of manufacturer contracts, retaining a specialized PBM consulting firm can verify that your rebate guarantees are met each quarter. These firms do this by comparing your claims data and product status against information in the same subscription database that PBMs use (MediSpan).

Finally, no discussion in today’s market would be complete without addressing the biggest PBM pain point facing employers today: the rapidly escalating costs and utilization of specialty pharmaceuticals. In the next and final chapter of this guide, we provide background along with concrete steps you should start to take right away to get a better handle on the problem.
CHAPTER 6

Specialty Pharmacy: What to do Now to Control Costs and Utilization

In the United States, spending on specialty pharmacy medicines has nearly doubled in just the past five years, contributing more than two-thirds of overall medicine spending growth between 2010 and 2015.* Overall, the U.S. spent $150.8 billion on specialty medicines in 2015 (based on invoice price). And spending on specialty medications increased 17.8% in 2015 compared with the previous year.

It’s projected that by 2018, specialty medications for diseases such as cancer, autoimmune disorders, hepatitis C, and neurological issues, will account for 50% of all drug spend in the U.S.** And with thousands of potential new drugs in development, there appears to be no end in sight to this exponential growth.

Given the unsustainability of these trends, it is imperative that employers, working with their PBMs as necessary, be proactive and aggressive in managing both the costs and utilization of specialty pharmacy products. The good news is that only 1%-2% of the population is driving specialty pharmacy drug trends. This provides opportunities to hone in on the problem using the following pharmacy benefit management strategies:

- **Focus first on managing appropriate use of specialty pharmacy drug products.** Then focus on managing specialty pharmacy drug unit cost. It is not uncommon for some specialty pharmacy

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*Data from IMS Institute for Healthcare Informatics
**Data based on Express Scripts 2015 Drug Trend Report.
drugs to be prescribed by the physician for off-label use (i.e., non-FDA approved indications). Make sure your prior authorization (PA) criteria and medical policy coverage language is current enough to address this. You may want to revise your medical policy to state that such off-label uses not be covered under the specialty pharmacy drug benefit under any circumstances. Or, you may decide instead to prior authorize the drug and approve payment only if the prescribing physician can first provide evidence of medical necessity. If you choose the PA route and use a PBM, hold your PBM accountable: ask them to share lab results or other evidence of medical necessity provided by the physician. This way you will know they are not simply rubber-stamping specialty pharmacy approval requests.

- **Make sure your specialty pharmacy coverage and PA criteria align with national clinical guidelines.** This also will ensure that you are not paying for specialty drugs that are prescribed for non-indicated uses or if the drug is being administered to the patient prematurely. A good example involves drugs for hepatitis C. Make sure any PA or coverage criteria require that the patient be deemed clinically eligible for the drug based on METAVIR scores. These clinical scores are typically used by clinicians show the extent to which liver disease has progressed, and therefore, which patients would clinically benefit the most from using these drugs. Push back on PBMs if they are hesitant to implement these criteria or if they threaten to reduce your rebates on these drugs if you want more stringent PA rules in place.

- **Know where specialty pharmacy drugs are being administered.** Then adopt a strategy to shift referral patterns to the lower-cost care settings. Today about half of all specialty pharmacy drugs are covered under the pharmacy benefit (lower cost setting); the remaining half are covered under the typically more expensive medical benefit setting (i.e., those administered in hospital clinics or physician offices). Review claims data to identify referral and site of care patterns. What percentage of drugs being shipped by your specialty pharmacy are going to the physician's office or hospital versus the patient's home? Conducting a thorough financial analysis can help you figure this out. You may have to rework benefit coverage language to drive specialty pharmacy usage patterns away from costlier outpatient settings and toward the pharmacy benefit side where costs can be better managed.

- **Align your PA approval criteria for consistency on both the medical benefit and pharmacy benefit side.** This is especially important for autoimmune drugs used for diseases such as rheumatoid arthritis and ulcerative colitis. Consider that 90% of claims for infused specialty
pharmacy products like Remicade® occur on the medical benefit side. By contrast, 100% of claims for competing product Humira® fall on the pharmacy benefit side, because the drug is self-injected. You or your PBM should be monitoring claims and how your PA rules are set up and adjust accordingly. Otherwise, some physicians will game the system to get higher reimbursement on the medical benefit side for specialty pharmacy products.

- **Re-contract your providers at more aggressive rates.** A very large, self-insured employer may save money by carving out the specialty pharmacy drug benefit separately from the PBM. Stand-alone specialty pharmacy companies will often give deeper discounts. You will need to conduct a thorough financial analysis to determine if this option would benefit you financially or not.

- **Re-evaluate member cost-shares and maximum out-of-pocket limits.** Changing the member-cost share structure for specialty pharmacy drugs can also help drive utilization to the least costly care setting. For example: a member or employee needing a specialty drug may have a 20% coinsurance obligation for the drug under the pharmacy benefit. But that same member may have no cost share for the same drug if obtained through the medical benefit. This is especially true if the patient has already met his or her annual deductible on the medical benefit side. This incentivizes the member to obtain the drug in the physician’s office or hospital infusion center, which may be more costly to the employer. You will need to carefully evaluate the various scenarios before modifying the benefit design and cost-share structure.

- **Maximize rebates for all types of specialty pharmacy drugs.** This applies to both self-administered drugs dispensed by a specialty pharmacy, and provider-administered injectables or infused drugs. You will need to carefully review and understand all rebate terms in your PBM contract. You may also need to devise new formulary tiering structures to drive greater usage of preferred specialty pharmacy products, which in turn, will drive higher rebates.

- **Take advantage of new, emerging specialty pharmacy rebate opportunities.** The challenges posed by specialty drug costs are driving new, innovative approaches in the market that you may be able to capitalize on for the first time.
for the first time. For example, some manufacturers — in exchange for having their specialty pharmacy products receive preferred formulary status — will tie rebates to specific clinical outcomes, such as cure rates among patients receiving the drug. This essentially gives you performance guarantees that would not otherwise be available. Conversations are also starting to occur around giving employers rebates for specialty drugs dispensed on the medical side — something that has not traditionally been available. It’s important to be aware of these emerging market opportunities or work with a consultant who is so you can take advantage of them.

• **Define your biosimilar strategy.** Although only a handful of less expensive biosimilar agents are currently FDA-approved, it is important to think about what approach to take as more of these specialty pharmacy products become available. The typical biosimilar agent will be priced at about 10% less than the originator specialty brand name product. However, that doesn’t automatically mean these drugs will cost less. You will need to know whether the biosimilar manufacturers will offer rebates on their products. And you will need to do a careful financial analysis of any rebates you currently receive on the originator specialty product — as these may make these drugs more cost-effective than the biosimilars.
Conclusion

As you have likely already experienced first-hand, the PBM business model is highly complex, with many moving parts and pieces and multiple stakeholders involved — all of whom have different and often competing financial interests.

Understanding what is inside the big black box of PBM contracts and financial statements — and knowing how to use that information effectively — is key to negotiating and getting the best possible prices and discounts on prescription drugs. That, in turn, is critical for your company’s financial health and the future financial health and sustainability of your employees’ prescription drug benefits.

In today’s rapidly changing PBM market, and given the rapidly escalating costs of specialty pharmaceuticals, employers that are current on trends and street smart in how they negotiate with PBMs will inevitably get the best deals that are available. Partnering with a highly experienced, independent, third party professional services firm that understands PBMs from the inside out is key to having an edge at the negotiating table. Having a trusted partner who can advise you today, and prepare you for what may lurk around the corner, will give your company the confidence and peace of mind you need to make the big decisions regarding your prescription drug benefit.

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