



THE BURCHFIELD GROUP
an Aon company

PBM Procurement: *How to maximize your leverage in today's market*

Thursday, May 10, 2018

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About The Burchfield Group

About Aon Burchfield

Founded in January 1998

Dedicated to delivering pharmacy benefit consulting, auditing, and compliance services

Highly experienced staff of industry veterans

Complete several dozen Request for Proposal (RFP), Renewal, and Market Check projects each year on behalf of our employer, public sector, and health plan clients

Develop customized solutions for our clients

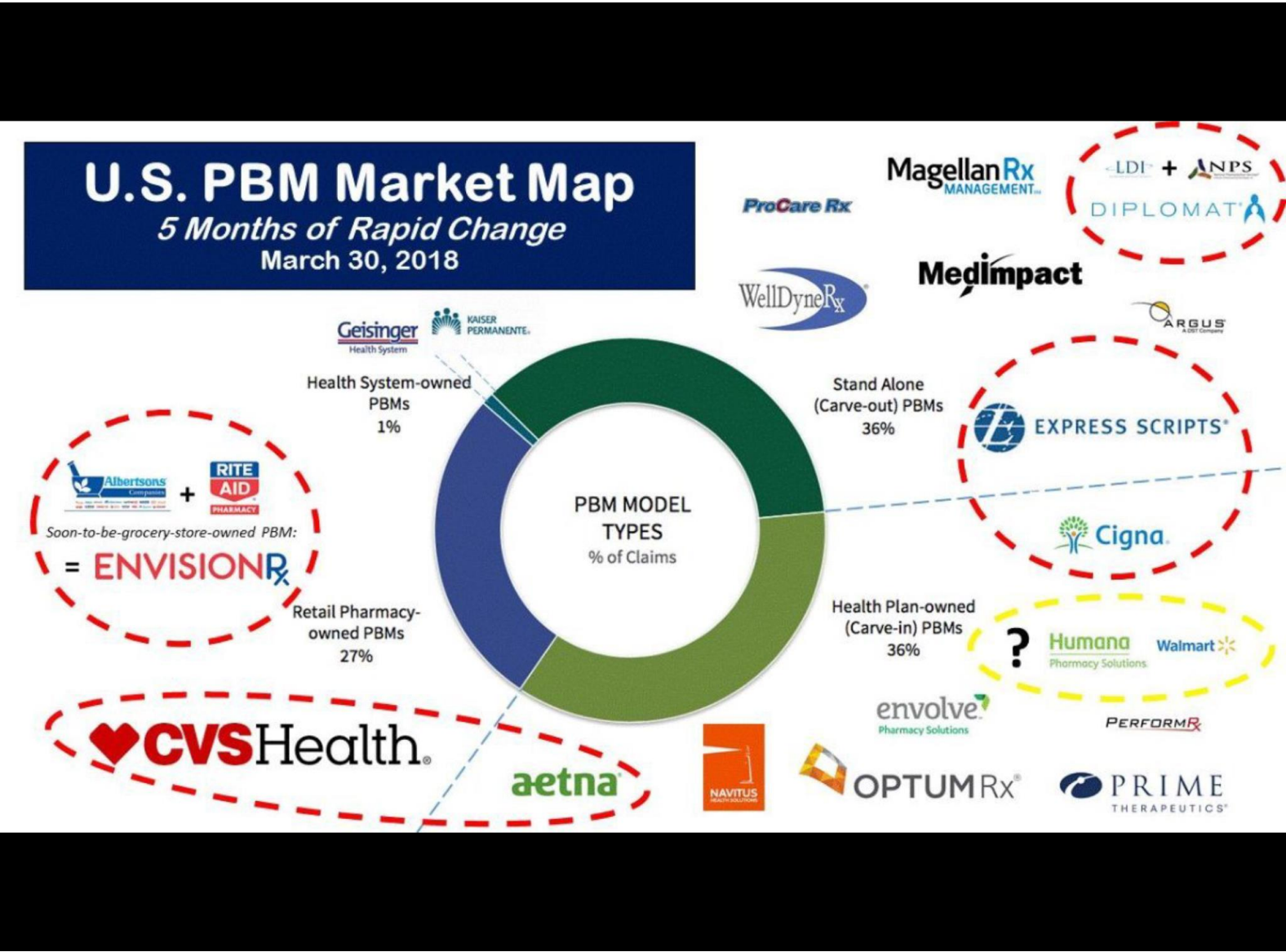
In January 2018, the Burchfield Group was acquired by Aon Consulting

Headline #1

IF the typical PBM contract is a three year agreement.....

THEN every plan will need to complete either an RFP, a Renewal, or Market Check in the next 18 months.

Market Dynamics



Headline #2

Market Change

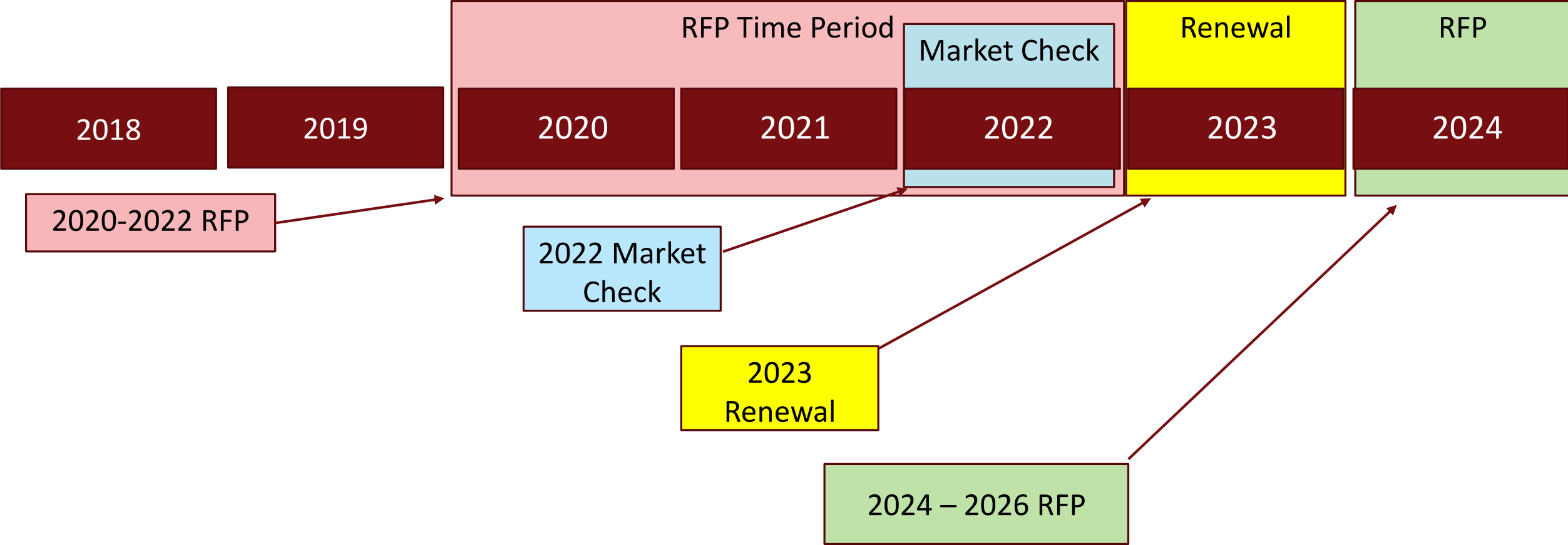
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Savings Opportunity

Key Objectives

- Understand the importance of a multi-year project plan
- Clear understanding of contracting cycle/options
- Key pitfalls to avoid
- Best practices to maximize leverage
- Remove the uncertainty from your procurement responsibilities

Multi-Year Contracting Strategy



Request for Proposal (RFP)

RFP: The market evaluation of qualified PBM vendors for a new contract time period.

Benefits

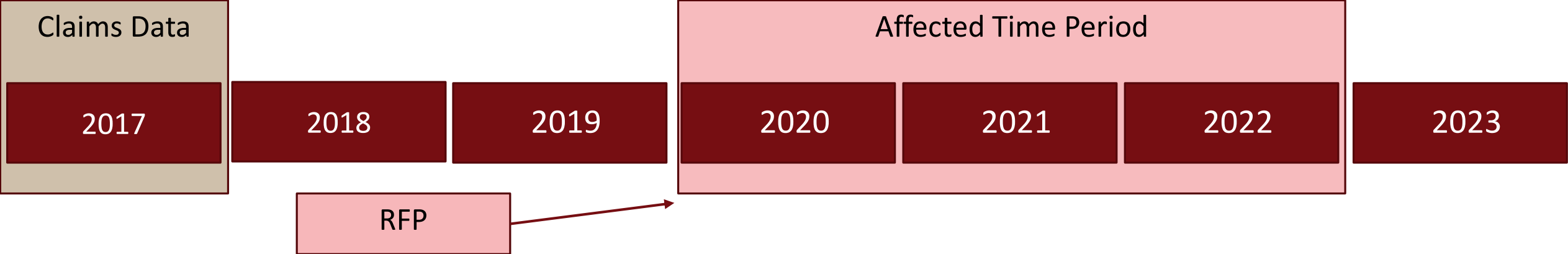
- Maximum leverage
- Drives to the best market offer
- Maximizes ROI
- Learn about other PBM capabilities, innovation and value

Considerations

- Time & resources
- Stakeholders
- Internal politics
- Implementation & member disruption
- Final contract will impact ability to audit, market checks, etc.

Request For Proposal (RFP)

RFP: The market evaluation of qualified PBM vendors for a new contract time period.



Request for Proposal (RFP)

RFP: The market evaluation of qualified PBM vendors for a new contract time period.

Best Practices:

- Allow sufficient time with firm deadlines
- Customize RFP to reflect current or future benefit offering
- Network with other PBMs before RFP; network with peers
- Involve internal stakeholders and control messaging
- Pricing improves year-over-year

Common Pitfalls:

- Not allowing enough time
- PBM-friendly language
- Prolonged negotiations
- Awarding business before negotiations are completed
- Accepting possibility of a change in PBM vendors

Market Checks

Market Check: The ability to verify and improve the market competitiveness of existing financial terms

Benefits

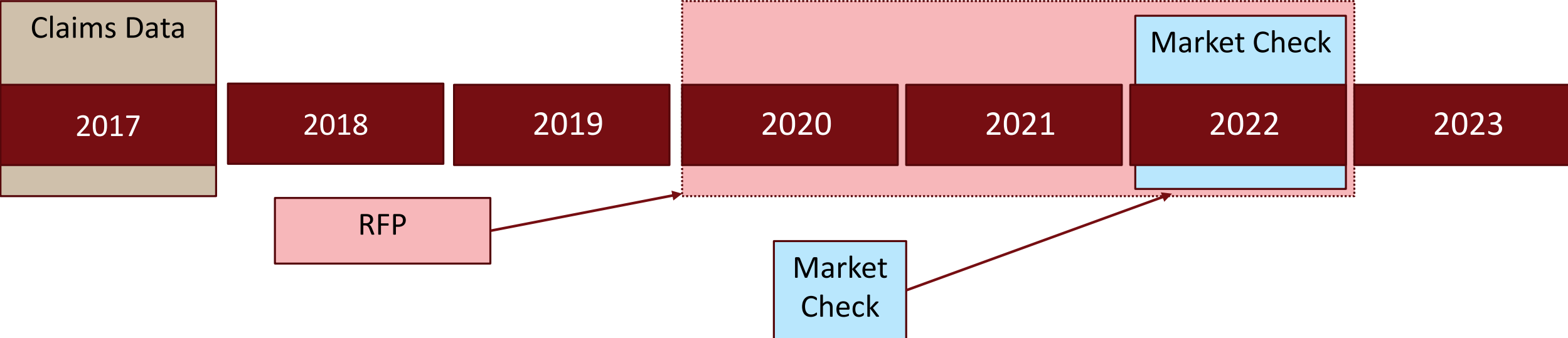
- Moderate leverage
- Large ROI
- Fewer resources
- No implementation and member disruption
- Possible early pricing opportunity
- Gauges partnership

Considerations

- Prohibitive market check language
- Less leverage than RFP
- Timing may limit options
- Anticipate PBM will request extension
- May need to take drastic measures
- Precursor to RFP

Market Checks

Market Check: The ability to verify and improve the market competitiveness of existing financial terms



Market Checks

Market Check: The ability to verify and improve the market competitiveness of financial terms

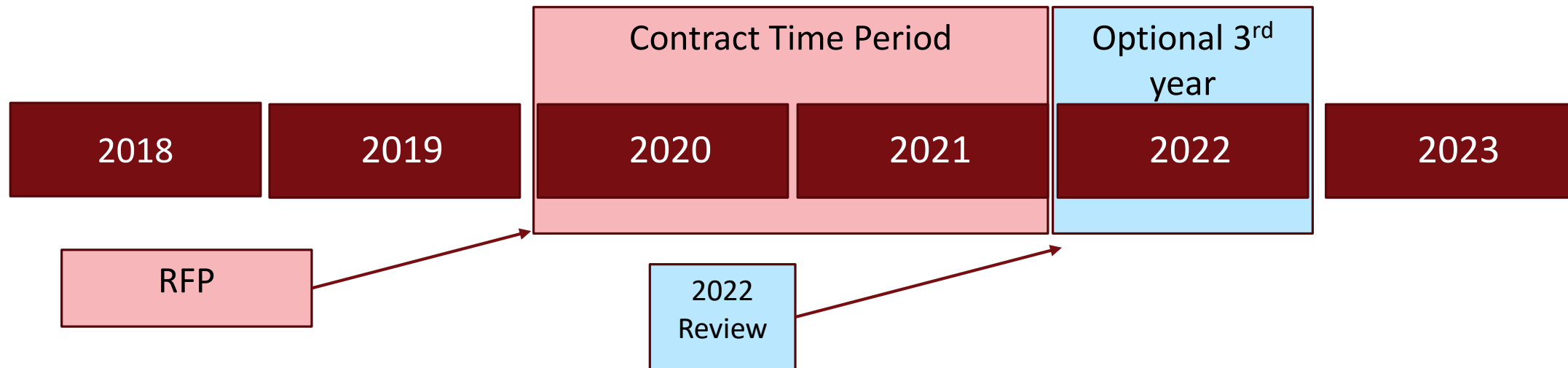
Best Practices:

- Exercise Market Check rights
- Understand how your plan is different from the 'market'
- Anticipate PBM response(s) and plan ahead

Common Pitfalls:

- Onerous requirements, limitations
- PBMs may challenge the results
- Protracted negotiations
- Inadequate time

Alternative Market Check Strategy



- Negotiate 2-year contract with optional 3rd year
- You determine the competitiveness of 3rd year
- Avoids following a market check process
- Prevents time delay, keeping you in control

Contract Renewal

Renewal: The negotiation to extend an existing contract.

Benefits

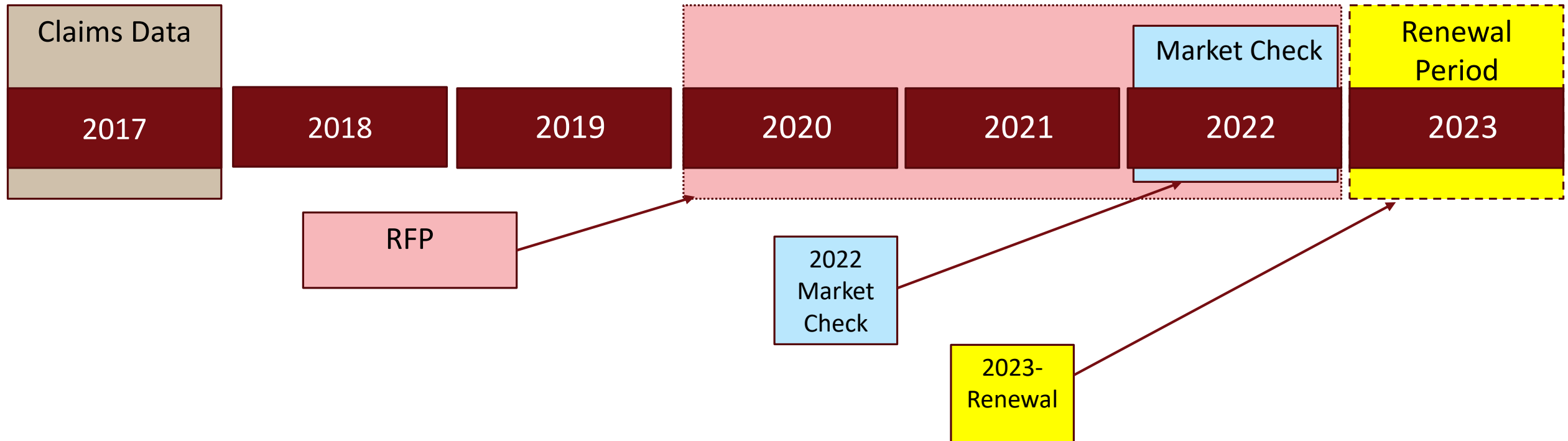
- Leverages a strong partnership
- Large ROI
- Minimal resources, data exchange or lead-time required
- No implementation or member disruption
- Opportunity for early implementation of new pricing

Considerations

- Best price may be held back
- Unsolicited renewal offers tend to be PBM-friendly
- May not close competitive gaps
- May not address other issues

Contract Renewal

Renewal: The negotiation to extend an existing contract.



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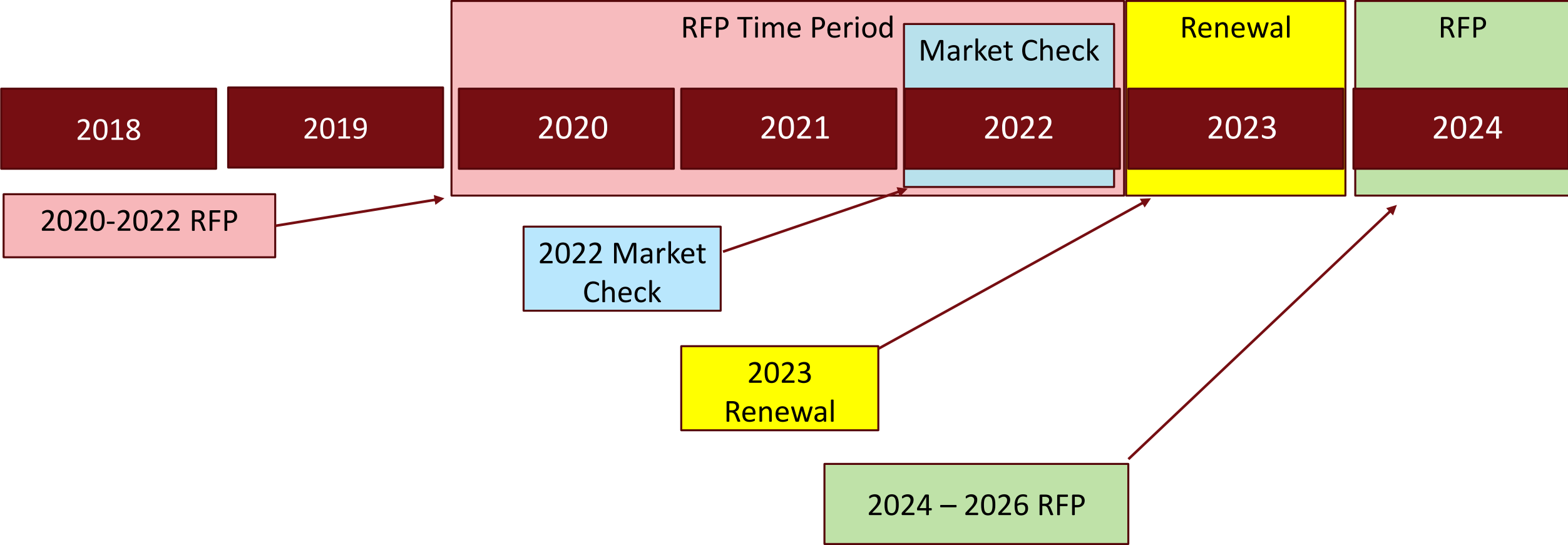
Best Practices:

- Limit renewal length
- Maintain favorable contract rights and provisions
- Ensure market competitiveness
- Preserve adequate time for possible RFP and implementation

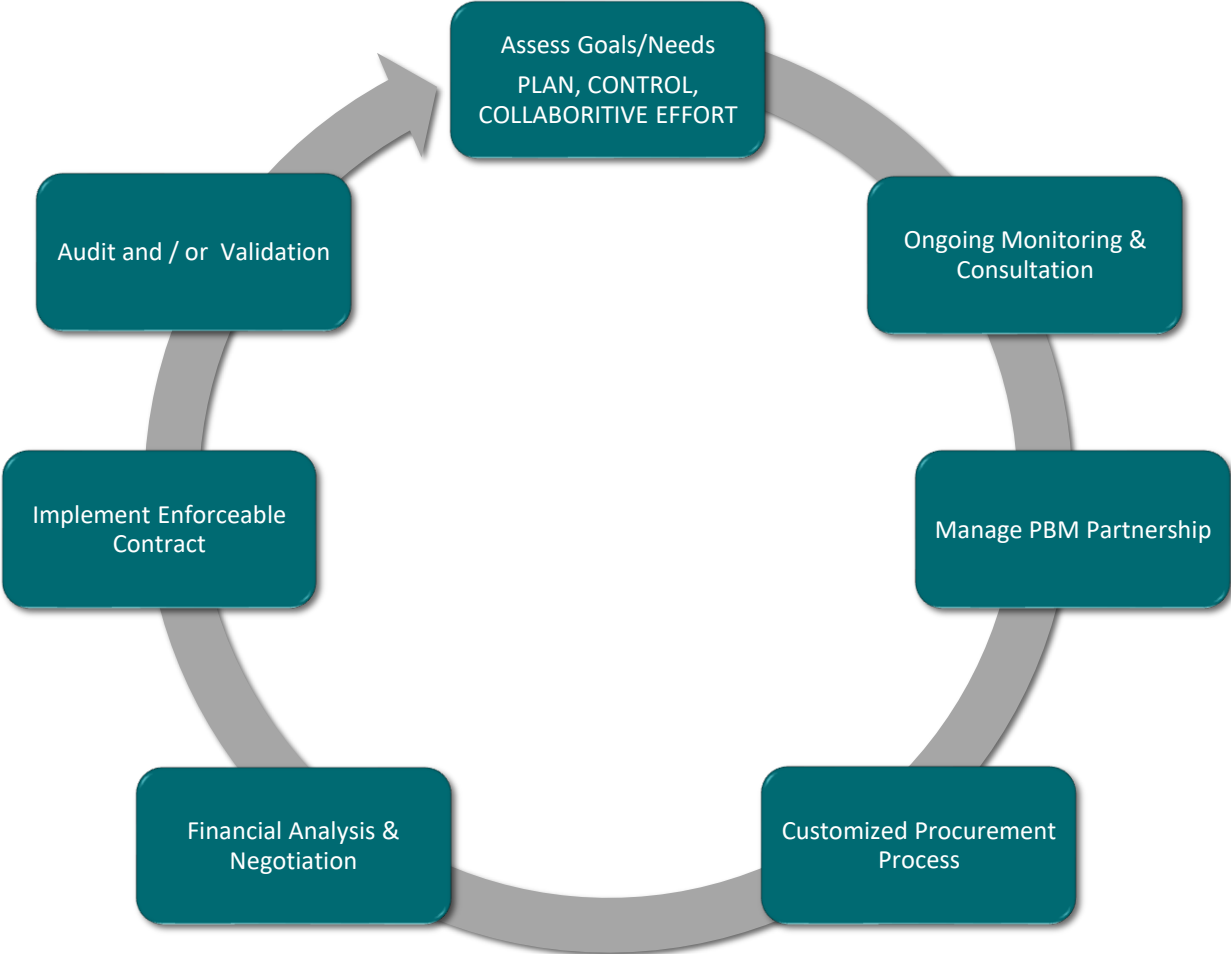
Common Pitfalls:

- Accepting unsolicited offers without detailed review
- PBM-friendly changes to existing language
- Not allowing enough lead-time

Multi-Year Contracting Strategy



PBM Vendor Lifecycle and Oversight



Best Practices

- Accept the possibility you may change vendors
- Allow sufficient time
- Contract includes a term for convenience provision
- Pricing improves year-over-year
- Perform due diligence audits to pinpoint trouble spots
- Perform market check if allowed
- Avoid repetitive or long-term renewals
- Operate under a 4-5 year contracting strategy/plan

Key Objectives

- ✓ Understand the importance of a multi-year project plan
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- ✓ Key pitfalls to avoid
- ✓ Best practices to maximize leverage
- ✓ Remove the uncertainty from your procurement responsibilities

Questions & Contacts

Feedback <https://www.surveymonkey.com/r/ZLSQ5SJ>

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