



THE BURCHFIELD GROUP

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Understanding the PBM Contracting Cycle:

Get the best pricing and leverage market disruption to your advantage

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About The Burchfield Group



Steve Baumgardner

Practice Leader, Procurement

As a practice leader, Steve is responsible for the consulting operations team that is focused on RFP development, financial analysis, and contract negotiations. Steve has over 18 years of experience in the PBM and consulting space.



Joe Schmidt, MBA

Senior Consultant

As a Senior Consult with over 35 years in health care and 20 years of PBM Health Plan underwriting, Joe is responsible for providing Health Plan clients with service and project support including reporting, PBM and Specialty provider RFP project management, ongoing consulting and PBM performance reviews.

Market Overview

- Constant change
 - Consolidation
 - Strategic direction
- Expect more change
 - Amazon
 - Healthcare reform
- Change historically means better pricing
- Position your plan to maximize leverage

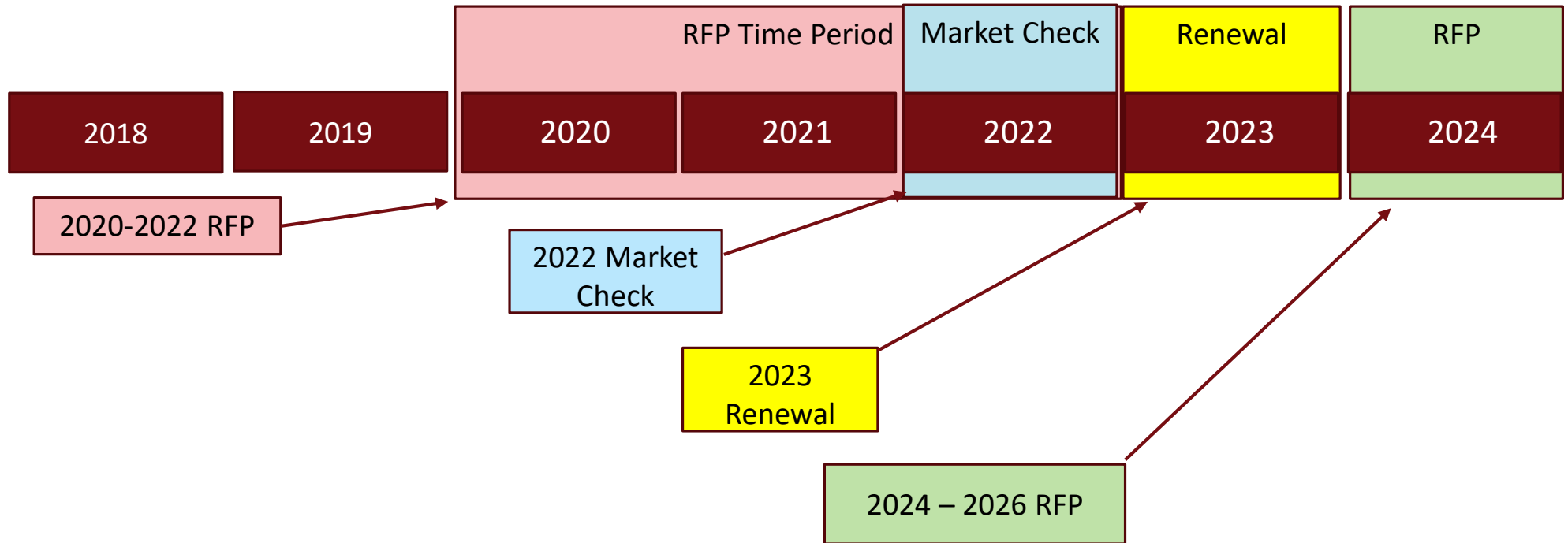
Key Objectives

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

Best Practices

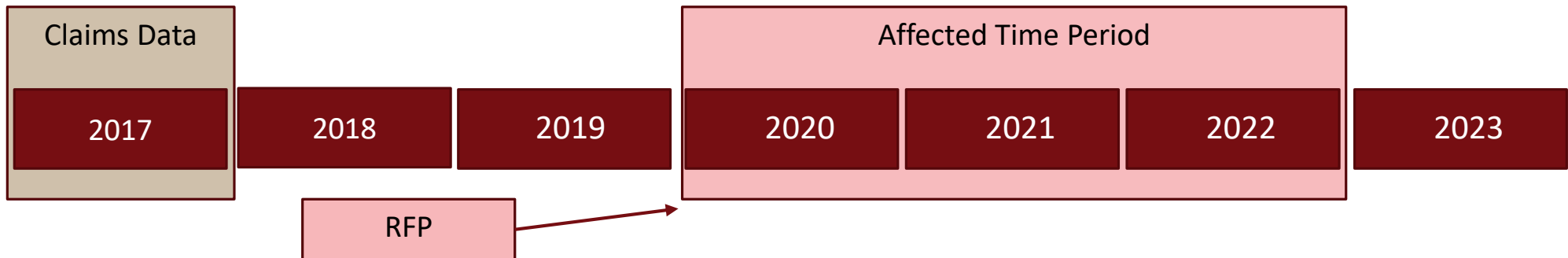
- Contract includes a term for convenience provision
- Pricing improves year-over-year
- Perform due diligence audits to pinpoint trouble spots
- Perform market check if allowed
- Operate under a 4-5 year contracting strategy/plan

Multi-Year Contracting Strategy



Request For Proposal (RFP)

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



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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

Request for Proposal (RFP)

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

Best Practices:

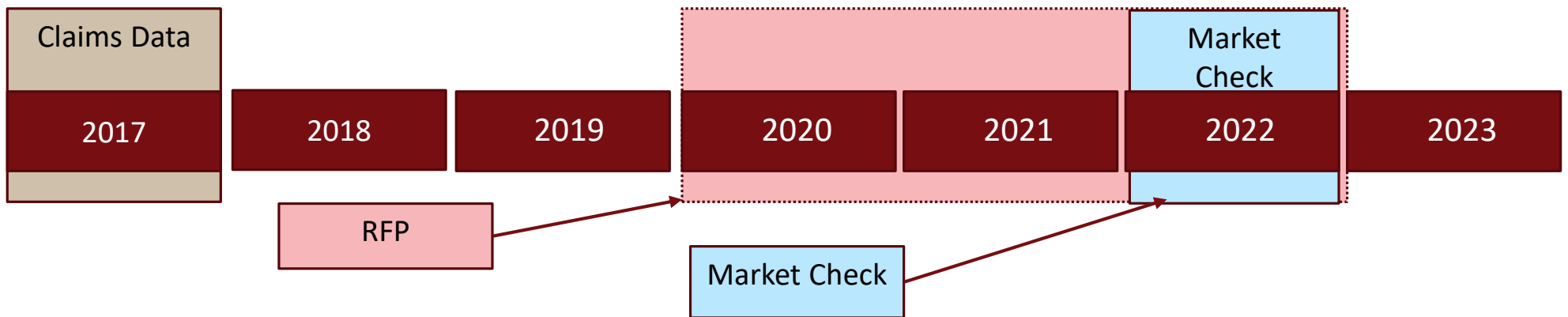
- Allow sufficient time with firm deadlines
- Customize RFP to reflect specific situation
- Network with other PBMs before RFP
- Involve stakeholders and control messaging
- RFP at least once every 5 years

Common Pitfalls:

- Not allowing enough time
- PBM-friendly language
- Prolonged negotiations
- Awarding business before negotiations are completed

Market Checks

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



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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
- May need to take drastic measures

Market Checks

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

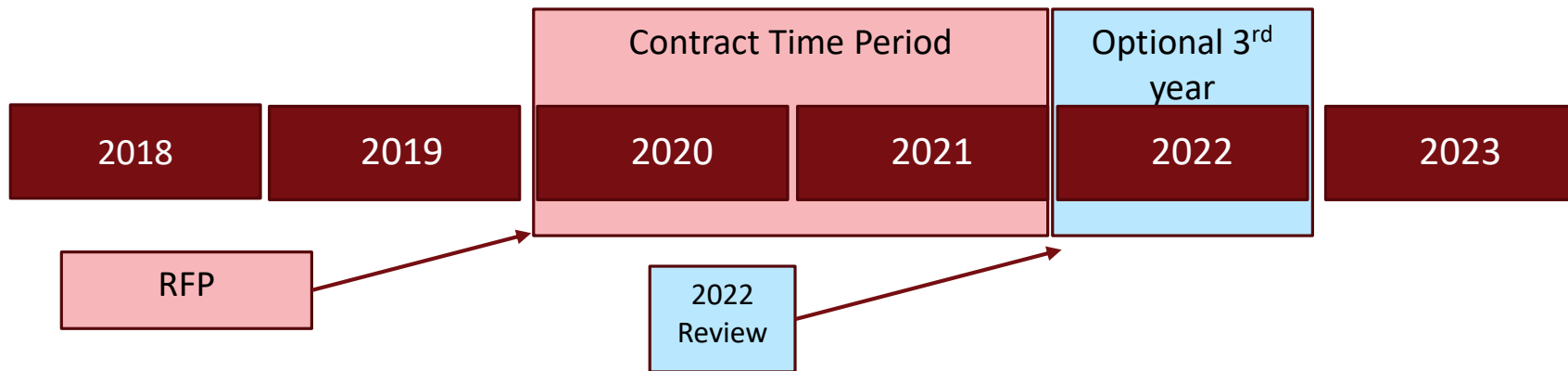
Best Practices:

- 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

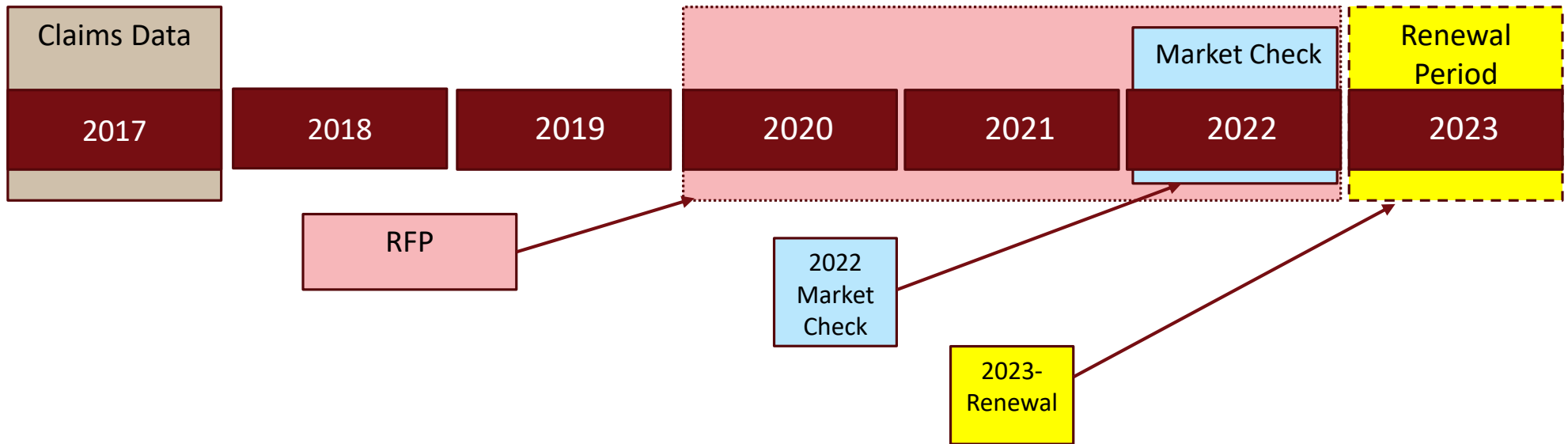
Alternative Market Check Strategy



- 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.



Contract Renewal

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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.

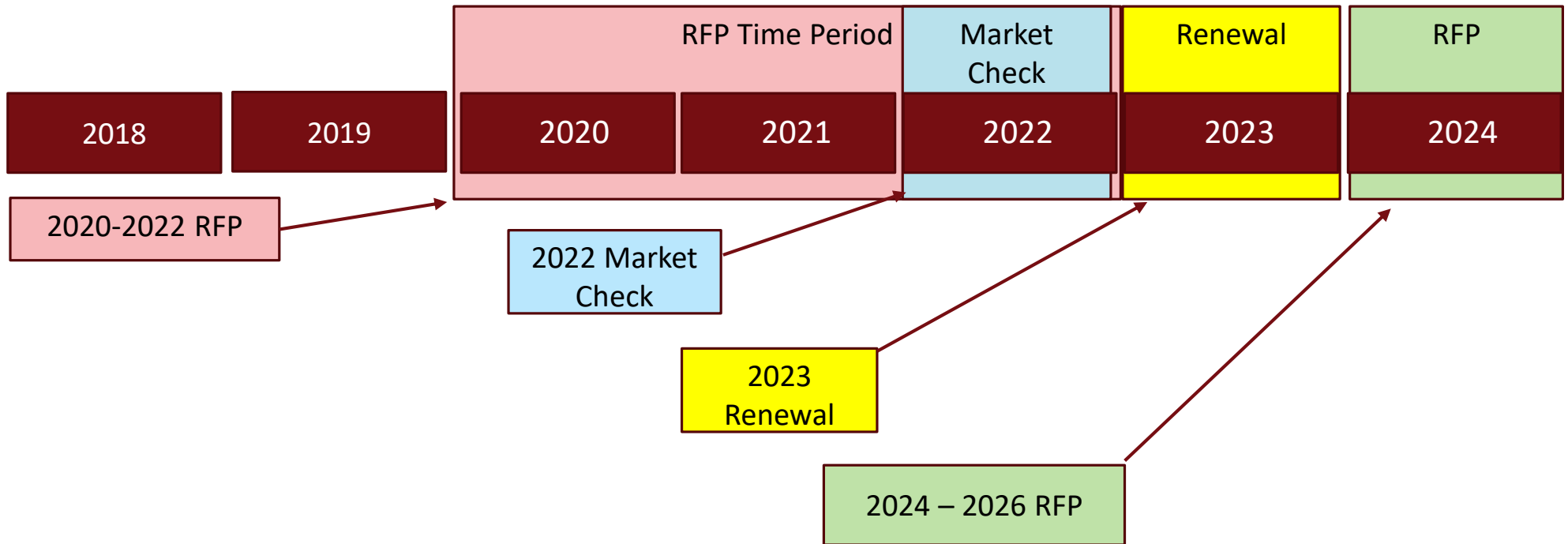
Best Practices:

- 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



Questions & Contacts

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

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The next Burchfield webinar will be March 8, 2018, more information to be provided.