

Presentation

2014 PBM market overview

Contract pitfalls to avoid

Definitions

Audits

IN DEFENSE OF FOOD

AN EATER'S MANIFESTO



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THE OMNIVORE'S DILEMMA

Summary

Nail down terms, especially brands and generics, and audit.

PBM Market History

- Early 90's:
 - PBM contract with pharmacies and resell access to discount contracts and charge an administration fee
 - Manufacturer purchases;
 - Lilly and PCS
 - Glaxo and DPS
 - Merck and Medco
- Late 90's:
 - Beginning of PBM consolidation
 - Drug manufacturers start paying formulary rebates
 - Increasing growth of PBM owned mail services
- Early 00's:
 - Creation and growth of Specialty Pharmacy
 - PBM acquisition of Specialty Pharmacies
 - Medco buys Accredo
 - Express Scripts buys Curascript
- 2005
 - Part D

2014

- Pharmacy Benefit Manager (PBM)
 - Retail Network
 - Formulary Management
 - Integrated Mail Service
 - Integrated Specialty



CONTRACTING PITFALLS¹

¹Begley, Kristin, PHARM. D “Don’t Fall into the Prescription Benefit Contracting Pit” *Pharmaceutical Compliance Monitor* March 13, 2013 <http://www.pharmacompliancemonitor.com/dont-fall-into-the-prescription-benefit-contracting-pit/4457/>

Zero Balance Claims

AWP Discount	MAC	U&C	Member Copay	Plan Paid
\$13	\$11	\$14.99	\$15	\$0

- No plan liability
 - Member pays full cost of claim
- 100% discount?

Dispense as Written (DAW)

- Physician and Patient request brand
- DAW 4 Generic not in stock
- DAW 5 Brand dispensed, priced as generic
 - Use when dispensing a brand as a generic.
 - Claims submitted with DAW 5 will be reimbursed at the generic price.

Network Changes

- Does a plan sponsor get improved rates when a large chain is taken out of the network?



Rebates and Days Supply

- 30 day retail
- 90 day mail
 - What about 84 day birth control?
 - What about 10 day antibiotic or pain meds?

Rebates

- What is a rebate?
- What isn't?
 - Specialty drugs included?
 - Manufacturer administration fees
 - Adherence programs
 - Purchasing volume discounts
 - Formulary placement fees
 - Grants

Guarantee Offsets

- Overages on one offset another
 - Can result in member issues at POS
- Guaranteed brand and generic effective rates?

Lack of Specificity and Definitions

- Brands
- Generics
- Effective Rate Guarantees
 - What is included?

Drug Classification

- Single Source Generics
- “Patent Litigation Drugs”

Payment Verification

- Invoice reviews shouldn't fall under audit protocols
- Does your invoice contain enough data so that you can verify accuracy?

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This sounds like a big mess. Now what do we do?

DEFINE

Define Key Terms

- “Every significant contract term needs to be clearly defined and not open to interpretation.”²

² Cahn, Linda “Eliminate All PBM Contract Loopholes” Benefits Magazine Volume 50, No. 10, October 2013, pages 40-46

Billing Disputes

- How long do you have to review your bill?
 - Make sure you have contractually guaranteed access to every piece of claims data you need
- What is the dispute process?
 - Make sure you can reclaim money, if there are mistakes

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Let's verify.

SOLID CONTRACT AND DEFINITIONS IN PLACE

Why Are There PBM Errors?

- Complexity
 - 24-7-365 uptime for adjudication system
 - Thousands of:
 - NDCs
 - Pharmacy rates
 - MAC lists
 - Drug prices constantly changing

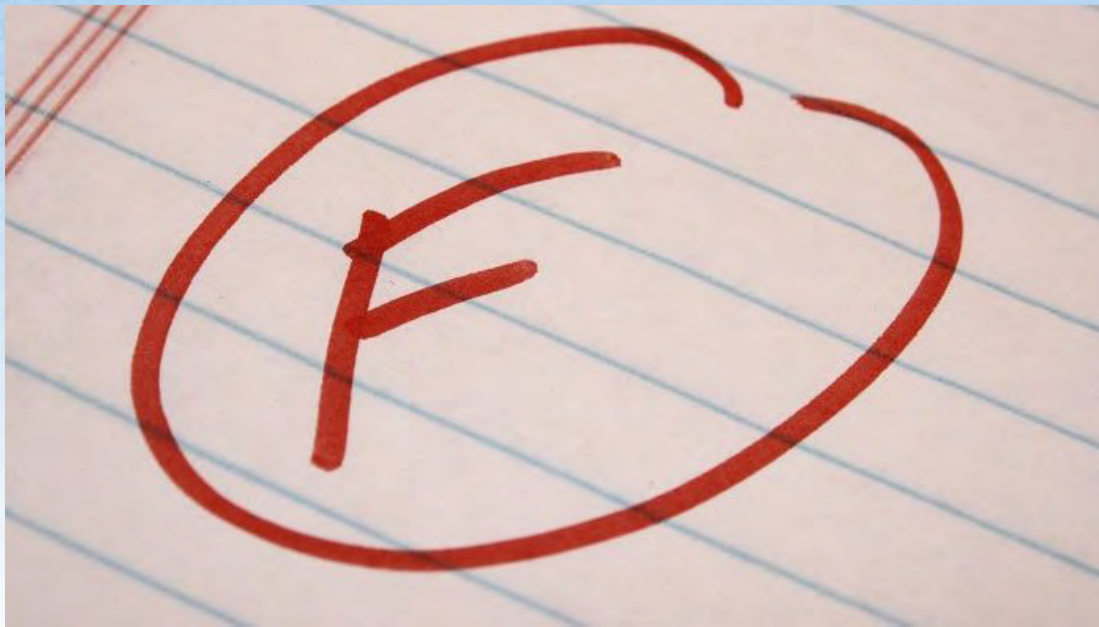
Why Are There PBM Errors? (Pt. 2)

- Complexity
 - Human Error
- Incentives
 - 1:15 Ratio³



Kinds of Errors

- Hard Errors
- Performance Guarantee Shortfalls



“Hard” Errors

- Wrong dispensing fee
- Drug Classification
- Incorrect AWP on date of service
- Incorrect discount
- Specialty rate not applied
- MAC not applied
- “Lower of” logic not applied

Error Example

AWP Discount	MAC	U&C	Member Copay	Plan Paid
\$25	\$23	\$19.99	\$15	\$8
\$25	\$23	\$19.99	\$15	\$4.99

- Generic Effective Rate Guarantee of 75%
- \$23 works out to AWP – 82% for this claim
- Row one doesn't break effective rate performance guarantee
- The plan still paid \$3.01 too much

Performance Guarantees

- Effective discount rates not met
- Rebate shortfall

Audits

- Who can you use to audit?
- Is all needed data available?
- Is the full MAC available?
- How far back can you go?

Is a Retro Audit worth it?

- 2,500 belly button plan
- \$2,500,000 annual drug spend
- Expected audit results:
 - 0.5% to 2.0%⁴
 - \$12,500 to \$50,000

Thank you!

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The logo for Truveris, featuring the word "Truveris" in a blue serif font. A black checkmark is positioned over the "v", extending from the top of the letter and curving to the right.