

A B A R C A

# PBM – Payer Partnerships

INSIGHTS INTO ALTERNATIVE COST  
MANAGEMENT STRATEGIES ACROSS  
COMMON PBM LEVERS

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2022 **P B** Annual National  
**M I** CONFERENCE



# Getting creative to curb spend

## Available levers:

- ▲ Formulary and Utilization Management
- ▲ Network
- ▲ Rebates
- ▲ Alternate payment models
- ▲ Additional Programs & Strategic Partnerships



# Getting creative to curb spend

## Available levers:

### ▲ **Formulary and utilization management**

Network

Rebates

Alternate payment models

Additional programs and strategic partnerships



# Formulary and utilization management

- ▲ Most common cost containment mechanism
- ▲ Leverage clinical and cost-effectiveness to maintain access while reducing spend

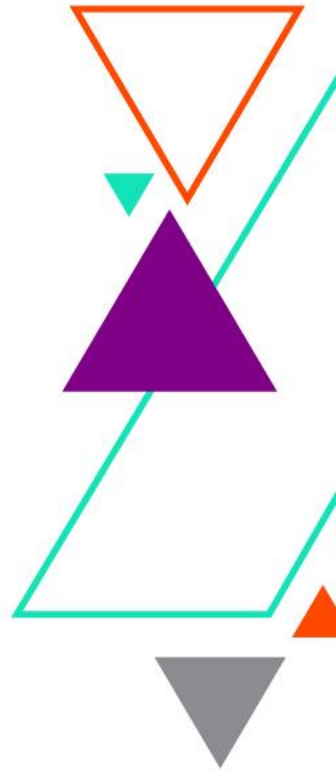


# Formulary and utilization management

TRADITIONAL APPROACHES	INNOVATIVE DESIGNS
<b>Open Formulary</b> <ul style="list-style-type: none"><li>▲ More access</li><li>▲ Increased patient choice</li><li>▲ Reduced savings potential</li></ul>	<b>Reference Pricing Formulary</b> <ul style="list-style-type: none"><li>▲ Less restrictive</li><li>▲ More complex set-up</li><li>▲ Greater savings potential</li></ul>
<b>Exclusionary (Closed) Formulary</b> <ul style="list-style-type: none"><li>▲ More control</li><li>▲ Increased patient disruption</li><li>▲ Greater savings potential</li></ul>	<b>Indication-based Formulary</b> <ul style="list-style-type: none"><li>▲ More restrictive</li><li>▲ Maximizes rebate opportunities</li><li>▲ Potentially reduced member satisfaction</li></ul>
<b>Value-based Formulary</b> <ul style="list-style-type: none"><li>▲ Less restrictive for <u>lower-cost</u>, high-value medications</li><li>▲ May limit rebate opportunities</li><li>▲ Potentially reduced member satisfaction</li></ul>	<b>Patient Reward Formulary (TBD)</b> <ul style="list-style-type: none"><li>▲ More restrictive</li><li>▲ Maximizes rebate opportunities</li><li>▲ Greater patient engagement</li></ul>



# Formulary and utilization management



## Moving beyond hard rejects and faxed PA forms

- ▲ Point of sale claim edit automation
- ▲ Integrated medical claims information to infer disease
- ▲ Electronic prior authorization (ePA)

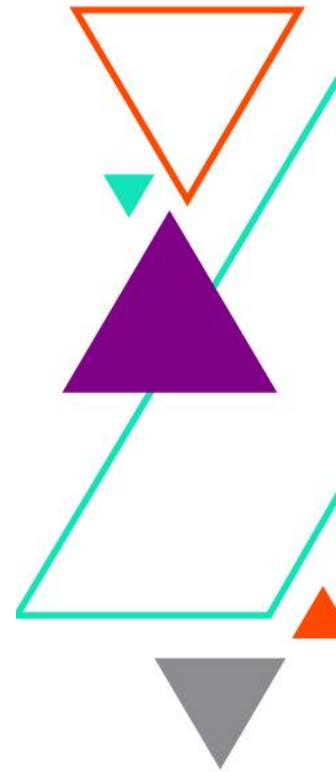
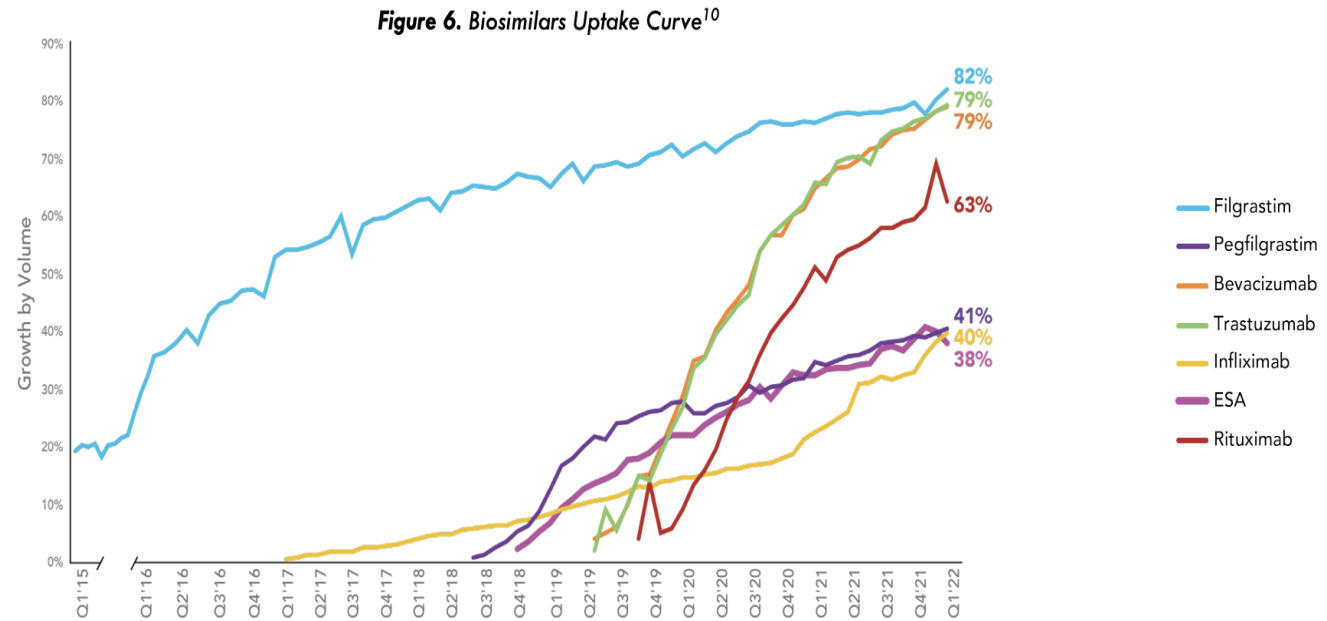
## Individualized outreach and targeting for high-cost, high-value utilization management strategies

- ▲ Medical vs. pharmacy contract pricing at point of sale
- ▲ Specialty drug conversions to biosimilars



# Formulary and utilization management

- Biosimilar uptake is increasing
- As of January 2022, 33 FDA approved biosimilars in the US, 21 are commercially available
- Next year, seven biosimilars for Humira expected to enter the market



**Sources:** <https://www.cardinalhealth.com/content/dam/corp/web/documents/Report/cardinal-health-2022-biosimilars-report.pdf>, <https://www.amgenbiosimilars.com/trends-report>



# Getting creative to curb spend

## Available levers:

Formulary and utilization management

### ▲ Network

Rebates

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Additional programs and strategic partnerships





# Network

## Pharmacy network designs balance savings with access

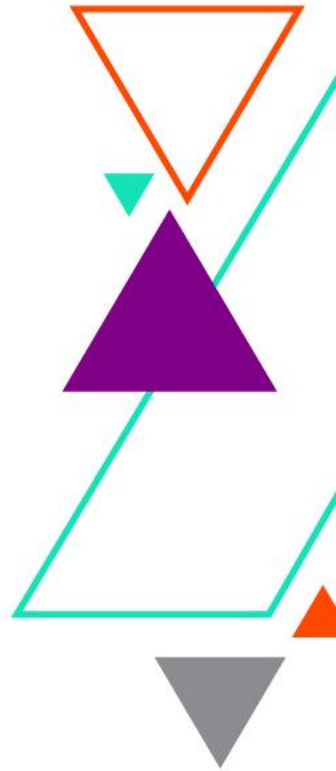
- ▲ Open / Preferred / Limited networks
- ▲ Value-based network
- ▲ Performance network

## Conventional reimbursement strategies create deeper discounts versus transparent approaches

- ▲ Spread pricing
- ▲ Transparent/Pass-through pricing

## Established drug pricing methodologies create both opportunities and challenges

- ▲ AWP-minus discounts
- ▲ Brand/Generic effective rates



# Network Design

- ▲ Open / Preferred / Limited networks
- ▲ Value-Based network
- ▲ Performance network

**Goal:** Shift towards more value and shared savings



# Reimbursement strategies: TRADITIONAL VS. TRANSPARENT

## TRADITIONAL

### Benefits:

- ▲ PBM can manage and offset over/underperformance
- ▲ Overall lower network rates
- ▲ No administrative fees

### Disadvantages:

- ▲ Inflexible with limited visibility
- ▲ PBM “spread” creates controversy
- ▲ Limited audit capabilities

## TRANSPARENT

### Benefits:

- ▲ Transparent to all parties, auditable
- ▲ PBM revenue accounted for

### Disadvantages:

- ▲ Administrative fees
- ▲ Potentially higher network prices
- ▲ Additional fees



# Traditional and transparent models

## Financial incentives still drive network pricing

- Traditional models may drive deeper discounts for payers because through spread a PBM is incentivized to manage pharmacy networks more aggressively and creatively.
- Transparent models are less opaque, easier to monitor but decrease incentives and tools used by PBM to manage network more aggressively and drive to lowest rates.
- It is important to understand how each model may impact network access.
- Ensure drive for lowest network pricing does not have adverse effect on access to drugs (e.g. preservation of community pharmacies).



# Drug pricing methodologies

## Benefits for Payers

### AWP MINUS DISCOUNT

- ▲ Greater ability to attain discounts
- ▲ Lower overall costs for generics

### ACQUISITION COST PLUS

- ▲ Objective and fair – PBM cannot hide margin: drug cost is based on a benchmark

## Impact to Pharmacies

- ▲ Pharmacies with stronger purchasing power stand to increase margins
- ▲ Margin on ingredient cost

- ▲ Transparent
- ▲ Consistent and predictable financials
- ▲ Less appeals/time, requiring less oversight

## Benefits for PBMs

- ▲ If generic acquisition cost decreases, easier to hit guarantees
- ▲ Greater ability to attain discounts (at or below “median” acquisition cost) and overperformance.

- ▲ Straightforward and easy to manage
- ▲ Improves relationships with pharmacies
- ▲ Removes perception that PBMs are manipulating the system



# A call for a new way

- 
- How can we increase value?
- 
- How can we meet stakeholder needs (i.e., aggressive pricing, visibility, and trust)?
- 
- How can we create new programs and options for improved pricing and more customization?



# A call for new way:

## Example

**One model:** Combining traditional and transparent models

**More aggressive pricing, with more visibility and sharing of any overperformance.**

- ▲ No audit or real-time visibility into what is being paid to pharmacies, but overperformance could be shared 75%/25% or similar
- ▲ Eliminates spread, increases transparency
- ▲ Business partnership instead of vendor relationship



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### ▲ **Rebates**

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Additional Programs & Strategic Partnerships



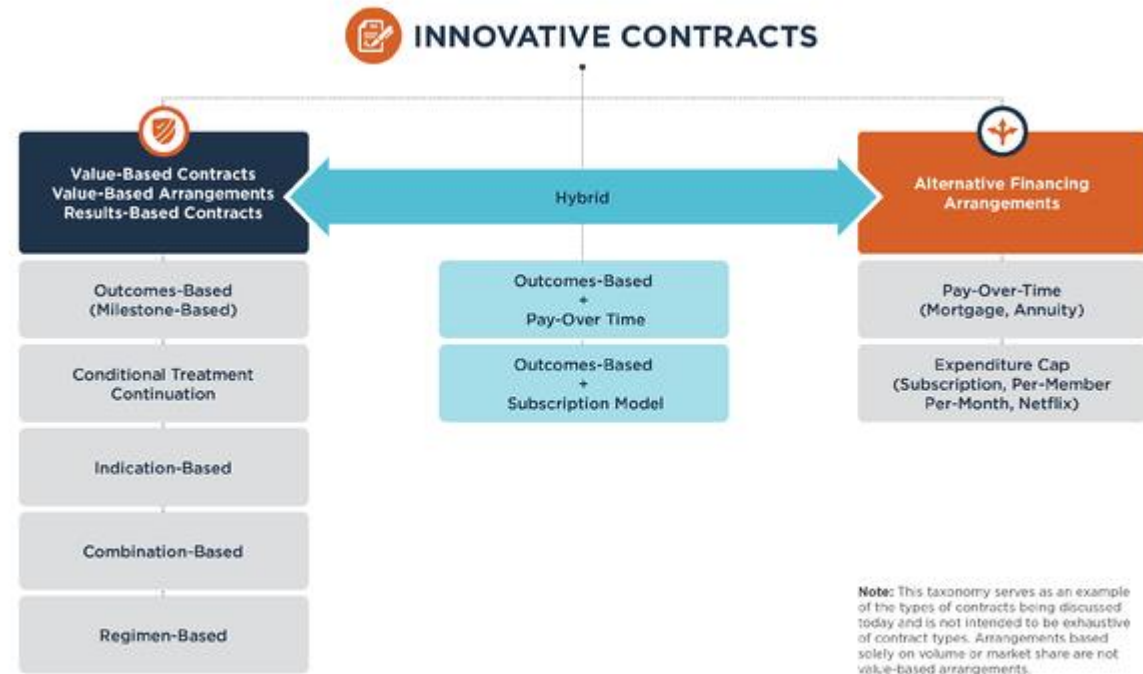


# Rebates

- Most traditional method of reducing and predicting drug cost for brand-name medications
- Medical and pharmacy drug formulary access rebates
  - ▲ 30%+ of drug costs

## Value-and outcome-based rebates:

- ▲ 75+ contracts covering 30 conditions
- ▲ Less consistent and aggressive savings than traditional rebates



VISIT [WWW.PHRMA.ORG/VALUE-COLLABORATIVE](http://WWW.PHRMA.ORG/VALUE-COLLABORATIVE) FOR MORE INFORMATION.



**Source:** <https://catalyst.phrma.org/innovative-contracts-drive-access-for-patients-and-value-for-the-system>



# Getting creative to curb spend

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Rebates

▲ **Alternate payment models**



# Alternate payment models (APM)

- ▲ Payment over time and other insurance products
- ▲ Expenditure cap
- ▲ High-cost therapies are primary targets for these initiatives



# Payment over time and other insurance products

- ▲ **Mortgage:** Payer responsible for full cost of treatment, pay over many years.
- ▲ **Transfer financial risk:** A PMPM fee to transfer management and payment for high-cost therapy to another entity.
- ▲ **Reinsurance:** A PMPM fee to cover members with one-time, high-cost therapies that exceed cost threshold.
- ▲ **Stop loss:** A PMPM in exchange for claim protection.



# APM: Expenditure cap

Examples include:

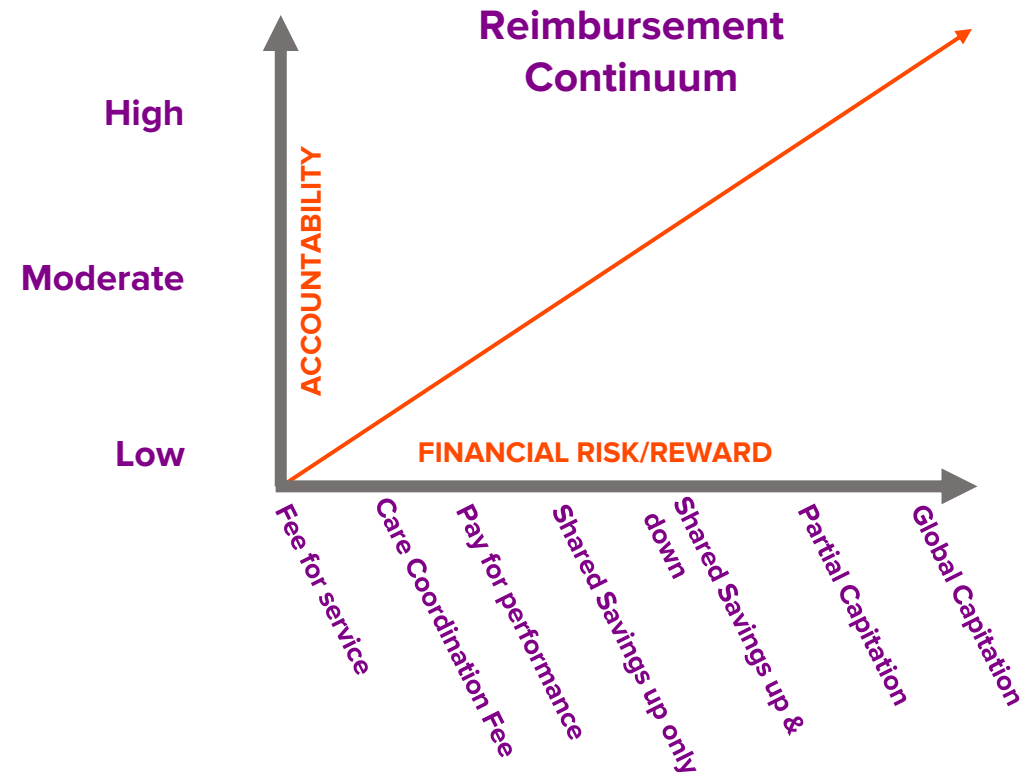
- ▲ **Subscription:** A fixed sum for unlimited medication
- ▲ **Capitation:** A fixed PMPM for bundled services, including medication



# APM: Expenditure cap continued

**Net cost per claim model:** A fixed per-member-per-claim rate

- ▲ Creates a modified version of the capitation model more applicable for PBMs and payers
- ▲ Shares risk
- ▲ Provides predictability
- ▲ Shields plans from unexpected cost increases



# Alternative pricing in practice:

## ASSURA ▲

Abarca created Assura, a transparent guaranteed net cost per claim model:

- ▲ All drugs qualify, regardless of type or category
- ▲ Includes a set, low single-digit annual inflation rate for three years
- ▲ In the first year under the pilot with a commercial plan sponsor, the plan saw:
  - ▲ Improved trend (vs. average for previous three years)
  - ▲ Less volatility
  - ▲ Decreased admin burden



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- ▲ **Additional programs and strategic partnerships**

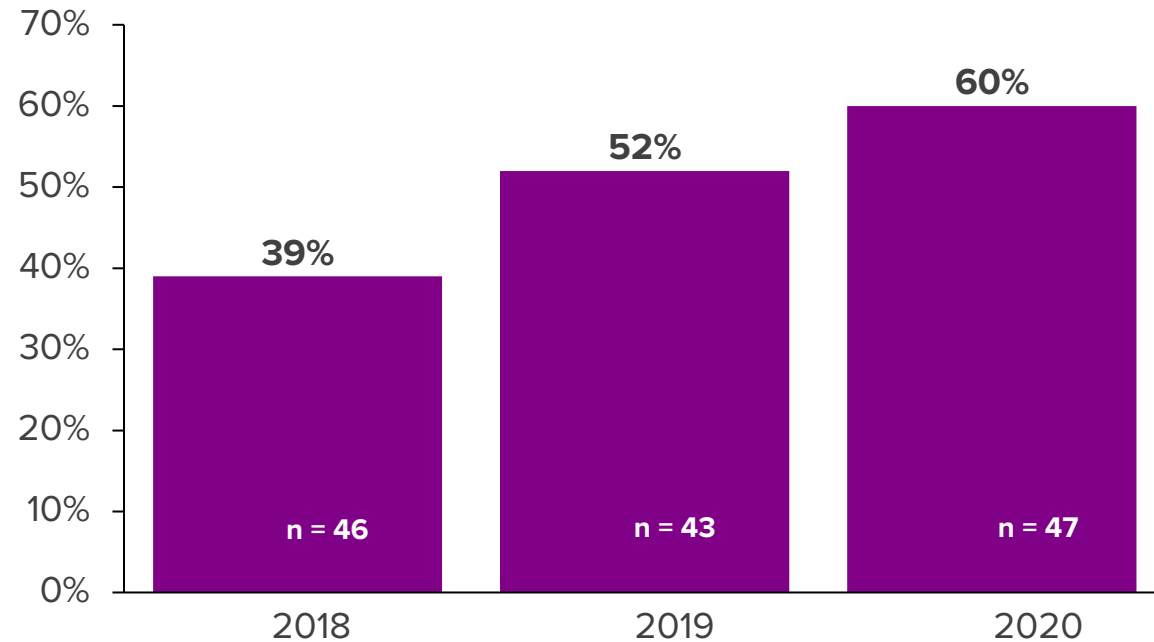




# Additional programs and strategic partnerships

- 340b
- Copay accumulator/maximizer
- Discount cards
- **Strategic partnerships:**  
Enhance program offerings without time and resources needed to build program.

Copay Assistance Program Growth over Time  
(% plans surveyed)



Source: <https://www.lashgroup.com/insights/strategies-for-addressing-copay-accumulators>



# Putting it all together

## ONE SIZE DOES NOT FIT ALL

- Leveraging only traditional methods or innovative approaches will not optimize savings in all situations.
- A combination of tactics are required, based on an analysis of:
  - ▲ Book of business
  - ▲ Market type
  - ▲ Competition
  - ▲ Member / Provider Satisfaction
  - ▲ Need for transparency vs. desire for maximum savings





**THANK YOU!**