

# Moving From PBM to PBA Model

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# OBJECTIVES

- ❖ Define PBM and Related Issues
- ❖ Define the PBA Model and Benefits
- ❖ RFP and Contracting Process
- ❖ Limitations to PBA Model
- ❖ Pro Pharma's Role
- ❖ Summary PBM vs. PBA

# WHAT IS A PBM?

## ❖ Pharmacy Benefit Manager (PBM)

- An entity contracted by employers and health plans to help administer prescription drug benefits
  - Examples: Caremark, Express Scripts, Medco
- Provide cost controlling measures to achieve affordable prescription coverage for health plans and their members
  - Establish pharmacy networks
  - Negotiate manufacturer rebates



# PBM STANDARD SERVICES

- ❖ Real-time prescription adjudication
- ❖ Drug utilization review (DUR) at point-of-sale
- ❖ Mail order services
- ❖ Formulary management
- ❖ Maximum allowable cost (MAC) list
- ❖ Monitoring drug utilization and industry trends



# PBM ISSUES

- ❖ Many PBMs **do not disclose** true discounts and rebates negotiated with pharmacies and manufacturers
- ❖ Pharmacy spread
  - Health plans unaware of paid price of medications
  - PBMs **retain the difference** between the amount collected from the health plan and the amount the paid to the pharmacy ***as profit***

# PBM ISSUES, cont.

- ❖ Other sources of revenue:
  - Manufacturer rebates and formulary design
    - Preferred list consisting of drugs with greater rebates
    - Do not pass-through full rebate to health plan
  - Multiple MAC lists
    - Different lists create spread
- ❖ To limit these issues, more health plans are moving away from PBMs to the PBA model

# WHAT IS A PBA?

## ❖ Pharmacy Benefit Administrator

- Primarily provide prescription administration
- Offer similar services as PBMs such as network pharmacy contracts, formulary management, MAC list, but do not enforce them
  - May be managed internally by health plan
  - Allow for customization

# BENEFITS OF THE PBA MODEL

## ❖ Transparency

- Health plan knows actual cost of prescriptions and rebates collected

## ❖ Elimination of “middle-man” incentives

- No profits associated with intermediary functions

## ❖ Control

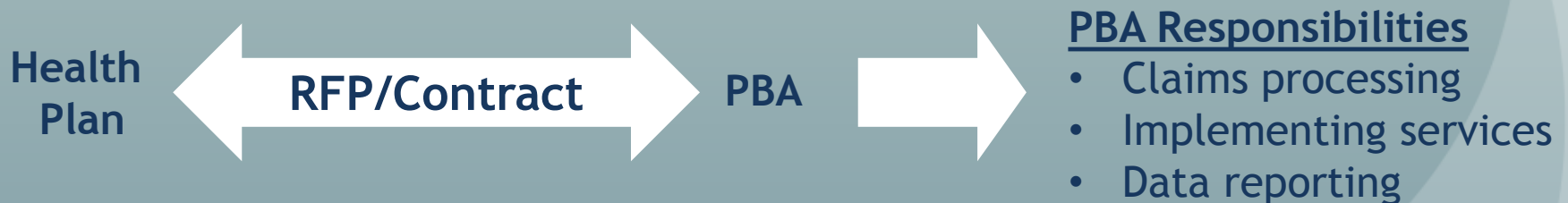
- Customization of network, formulary, MAC list, etc.
- Control over revenue streams





# PBA RFP/CONTRACTING

- ❖ Health plan issues a Request For Proposal (RFP) laying out parameters
- ❖ Contract signed once both parties in agreement
- ❖ PBA assumes specific responsibilities



# RFP/CONTRACT PARAMETERS

- ❖ All claims are pass-through, transparent, no spread and must obey “lesser of” logic
- ❖ All drugs dispensed must comply with the health plan’s benefit design and formulary requirements
- ❖ All claims must be adjudicated as “clean” with no algorithms or other logic that differs from nationally recognized database for providers, pharmacies, NDC, etc.



# HEALTH PLAN RESPONSIBILITIES

- ❖ Benefit plan information/member eligibility
- ❖ Custom network, formulary
- ❖ Custom MAC list
  - Includes all formulary generics
  - Based on “lesser of” logic
    - State Medicaid MAC
    - Centers for Medicare & Medicaid Services (CMS) Federal Upper Limit (FUL)
    - Contracted Average Wholesale Price (AWP) discounts
  - Pricing updated monthly



# PBA RESPONSIBILITIES

- ❖ Claims processing
- ❖ Customizing or implementing services initiated by health plan
- ❖ Clinical services
- ❖ Reporting, data, and management tools

# LIMITATIONS OF THE PBA MODEL

- ❖ Requires more time, input, and contribution from health plans
- ❖ PBAs may not have the purchasing power to negotiate discounts/rebates as well as PBMs

# WHAT CAN PRO PHARMA OFFER?

- ❖ Provide RFP/contract templates
- ❖ Help implement contract between health plan and PBA
- ❖ Generate custom MAC list
- ❖ Analyze results of health plan and PBA relationship



# PBM vs. PBA

PBM	PBA
<ul style="list-style-type: none"><li>• Provide all services</li><li>• More purchasing power</li><li>• Lack of transparency</li><li>• Hidden profits</li><li>• May not serve best interest of health plan</li></ul>	<ul style="list-style-type: none"><li>• Drug pricing transparency</li><li>• Eliminate spread and offer pass-through pricing</li><li>• Work to benefit interests of health plan</li><li>• Allow health plan more control</li><li>• May not provide all services</li><li>• May have less purchasing power</li><li>• Require more time and input from health plan</li></ul>

# SUMMARY

- ❖ To gain more transparency, more health benefit plans are moving towards the PBA model
- ❖ More PBMs are offering PBA services
- ❖ Health plans should determine if they have the resources to take on more control of their benefits and services



**THANK YOU**

**QUESTIONS?**

# REFERENCES

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