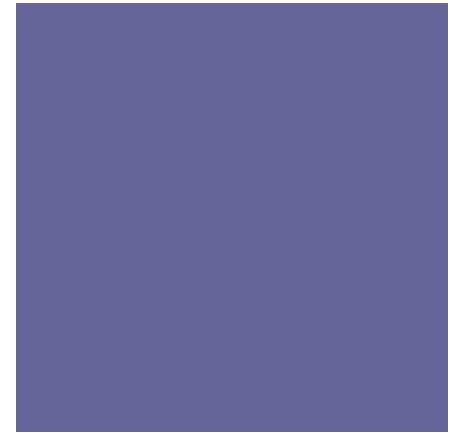




PHARMACY BENEFIT MANAGERS (PBM)

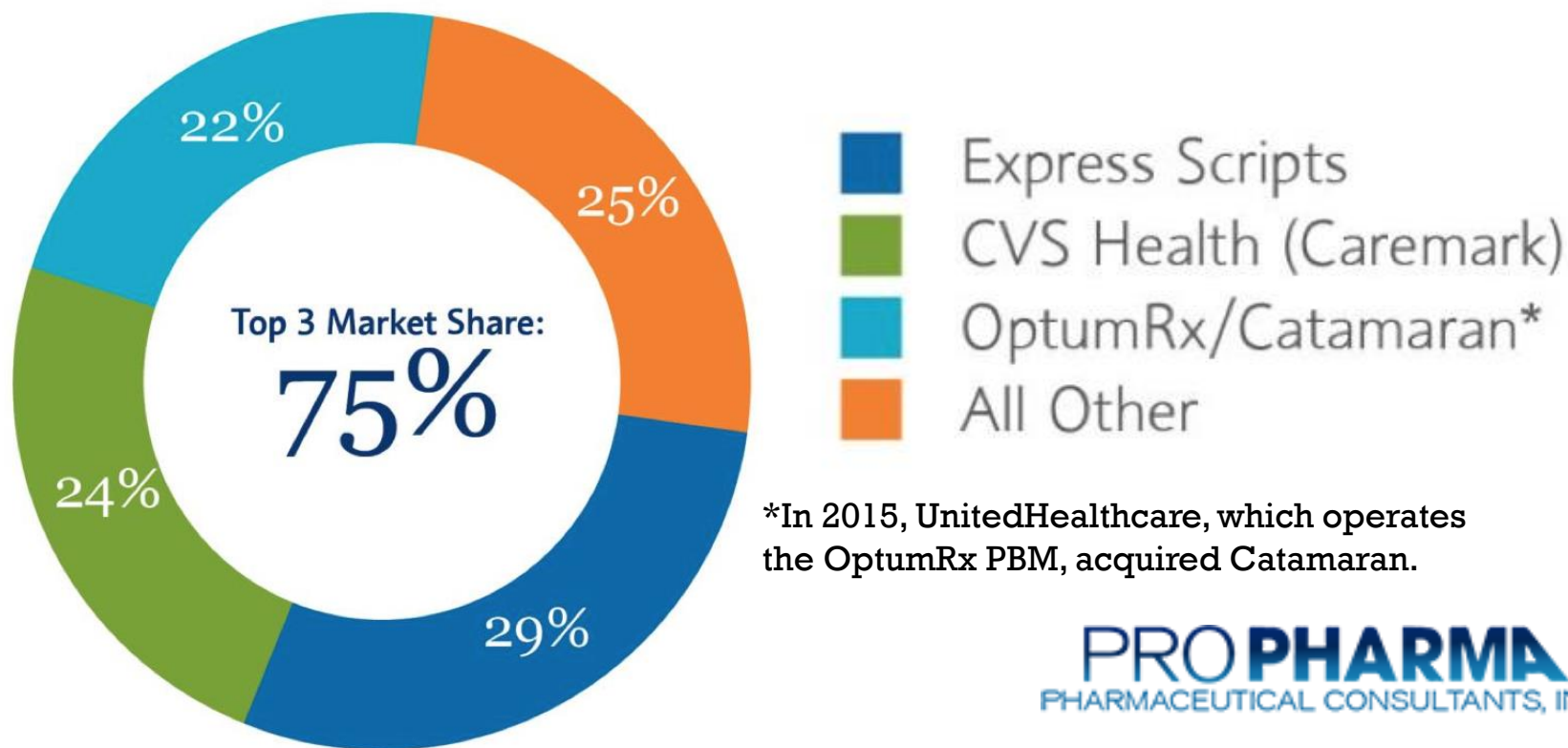


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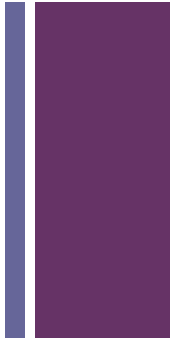


TODAY
PBM control the pharmacy
benefits of more than 253 million
Americans





OUTLINE



- What are PBMs?
- Different Contract Types
- PBMs Impact on Patients and Plan Sponsors
- PBM and Managed Care
- Outlook

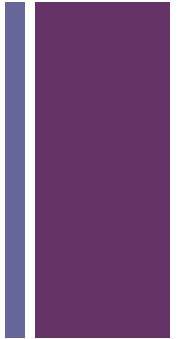


WHAT IS A PBM?

- Company that handles the prescription drug benefit component of a health plan.
 - Maintain or reduce pharmacy expenditures of the plan to improve health care outcomes
- Some of their functions include:
 - Developing and maintaining formularies
 - Contracting with pharmacies
 - Negotiating discounts and rebates with drug manufacturers
 - Processing and paying prescription drug claims
 - Mail Order
 - Specialty Pharmacy
 - Drug Utilization Review



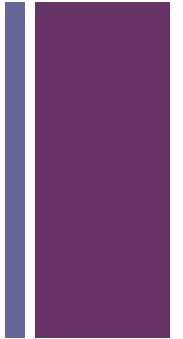
PBM SERVICES



- DEVELOPMENT OF PHARMACY NETWORKS
 - Negotiate with retail pharmacies for discounts
 - Assure adequate pharmacy sites
- DRUG UTILIZATION REVIEWS
 - Eligibility
 - Drug interactions
 - Adverse drug reactions
- GENERIC DRUG SUBSTITUTION
 - Facilitate therapeutic substitutions



PBM SERVICES



- DISEASE STATE MANAGEMENT (DSM)
 - Evaluate treatment options
 - Education enrollees and physicians
 - Develop expert-derived clinical guidelines to help physicians with value-based reimbursement
- FORMULARY MANAGEMENT
 - Help contain drug costs by:
 - Encouraging use of formulary drugs through compliance programs and financial incentives
 - Limit the number of covered drugs



ESSENTIAL PATIENT SERVICES

- STEP THERAPY AND PRIOR AUTHORIZATION
- SPECIALTY PHARMACIES:
 - Help accurately dispense complex medications
 - Provide ongoing clinical support
 - Manage drug-related side effects
 - Monitor drug safety through FDA-approved Risk Evaluation and Mitigation Strategy (REMS) programs



METHODS OF COMPENSATION



■ REBATES

- Formulary payments to obtain preferred formulary status.
- Market-share payments to encourage utilization relative to competitors.

■ ADMINISTRATIVE FEES

- Another source of revenue they charge plans.

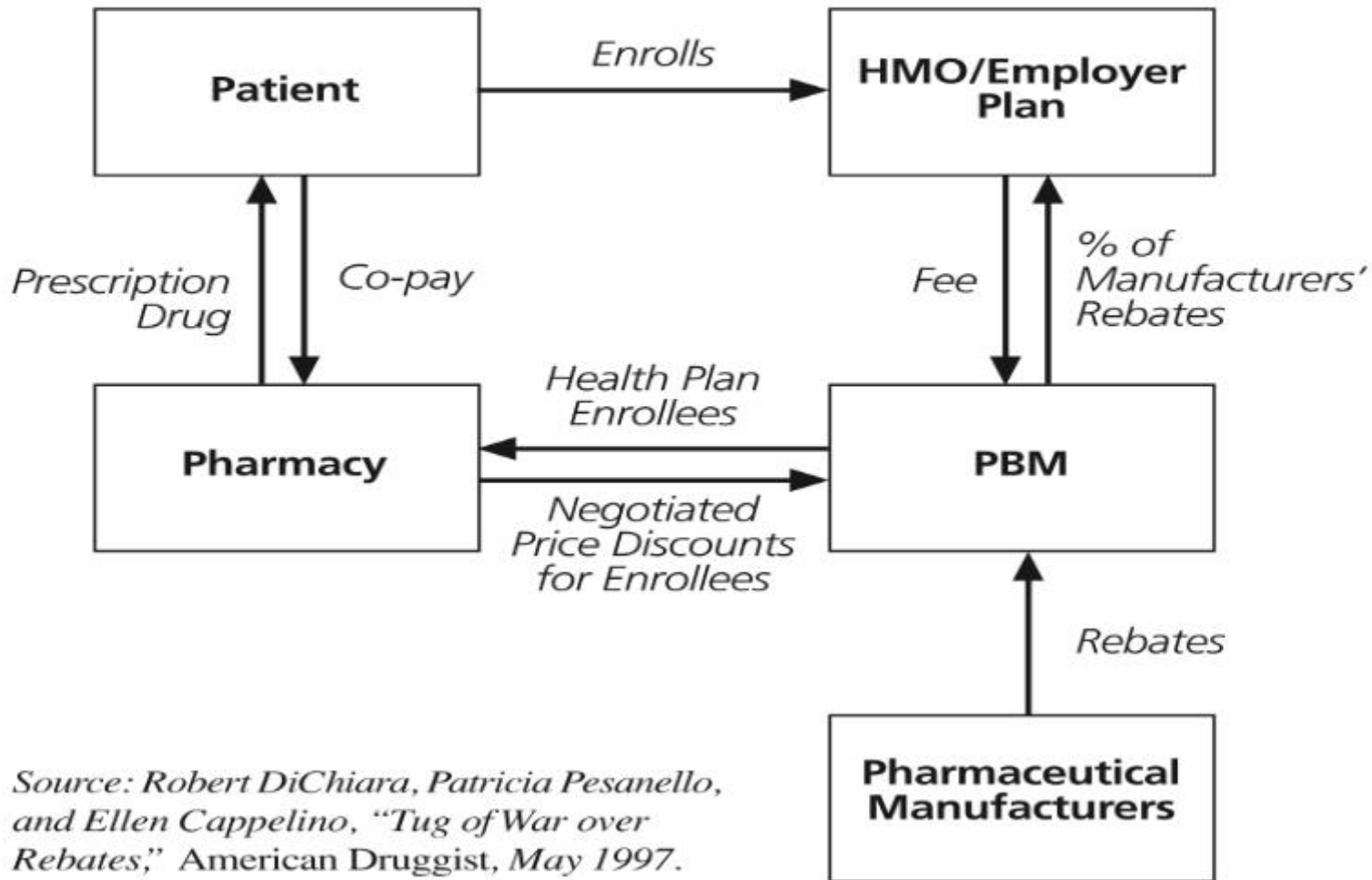
■ PHARMACY SPREAD

- Network pharmacy is reimbursed one price (AWP/MAC) and the plan sponsor is charged a higher price.



Follow The Money

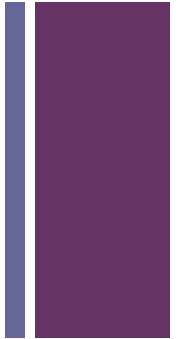
PBMs Play Central Role in Rebate Flow



Source: Robert DiChiara, Patricia Pesanello, and Ellen Cappelino, "Tug of War over Rebates," American Druggist, May 1997.



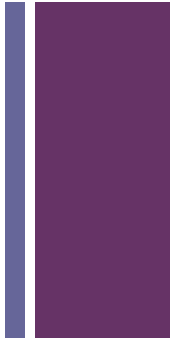
DIFFERENT MODELS



- **FULL SERVICE PBM**
 - Prescription adjudication, DUR, receive spread pricing, mail order, etc.
- **TRANSPARENT PBM**
 - No spread pricing: plan pays the amount the pharmacy bills
- **PHARMACY BENEFIT ADMINISTRATORS (PBA)**
 - Only perform adjudicated claims; provide prescription administration



FEE-FOR-SERVICE CONTRACTS



- PBMs are paid for the administrative services they provide.

ADVANTAGES	DISADVANTAGES
Potential for lower cost because not exposed to insurance risk	Employer doesn't know in advance the pharmaceutical benefit cost



RISK SHARING CONTRACTS

- Client and PBM share savings.

ADVANTAGES	DISADVANTAGES
Employers have an incentive to help control costs.	Few companies have the data necessary to accurately price the drug benefit.
PBM has a financial incentive to control the cost of the benefit.	Potential for higher cost due to partial insurance risk.



CAPITATED CONTRACTS

- PBM receives a PMPM payment from the client to cover the dispensing fee PBM's cost of providing pharmacy benefits.

ADVANTAGES	DISADVANTAGES
Employers can plan accordingly since they know the annual price for dispensing an Rx	Few companies have the data necessary to accurately price the drug benefit.
Employers benefit at the PBM's expense if the PMPM is set too low	Potential for higher cost due to partial insurance risk.
	PBM may benefit at the employer's expense.



PBM_s IMPACT ON PATIENTS

ADVANTAGES	DISADVANTAGES
Engages patients to make better health decisions and maximize benefits	May require patients to switch drugs for greater rebate negotiations
Improves adherence and patient safety	Limited Networks
Offers lower cost home delivery of medications for patients with chronic conditions	Patients may incur additional costs due to non-transparency
Increases patient access	



PBM_s IMPACT ON PLANS



ADVANTAGES	DISADVANTAGES
Lower drug spend by negotiating discounts with manufacturers and pharmacies	Difficult to audit
Administer cost-saving clinical programs to lower drug spend	Lack of Transparency
Develop formularies	



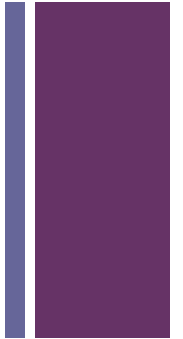
PBM AND MANAGED CARE



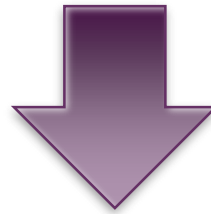
- Affordable Care Act (ACA) in 2010 extended prescription drug coverage for millions of Americans.
- The need to manage pharmacy benefits for an increasingly diverse beneficiary population and expensive range of drugs increased
- Most Medicaid beneficiaries are enrolled in managed care plans
 - Medicaid Pharmacy Benefits Managers (PBMs) filled an important role between patients and the health care system.



LEGAL ISSUES



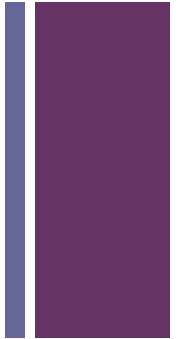
PBMs haven't always disclosed rebates, discounts, billing statements, or saving percentages to insures.



Need for strong state legislation for greater transparency and disclosure.



SUMMARY



- PBMs are companies that manage the prescription drug benefits for plans to improve health outcomes and reduce costs.
- Different contract agreements offer advantages and disadvantages.
- PBMs have a huge impact on patients and insurers.
- There is a need for strong legislation for greater transparency and disclosure.



Questions?



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