PRO PHARMA
PHARMACEUTICAL CONSULTANTS, INC.

Pharmacy Benefit News

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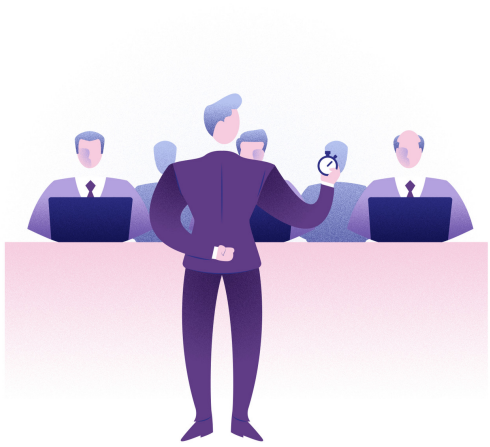


COMMENTARY |

Control Drug Prices - The Industry Says No!

"Despite calls for controlling expensive drug costs coming from all sides of the political spectrum, any momentum to address the issue has been lost amid rancorous debates over replacing the Affordable Care Act and stalled by roadblocks erected via industry pushback." According to the Drug Pricing Lab, a Memorial Sloan Kettering Cancer Center program that has catalogued ideas for reducing prices, there are multiple proposals presented to Congress over the last two years. These proposals include:

1. Importation from other developed countries, where regulations keep prices down
2. Allowing government to negotiate the price of Medicare-covered drugs
3. Speeding approval of cheaper generics
4. Requiring notification before raising drug prices
5. Restricting consumer drug ads.

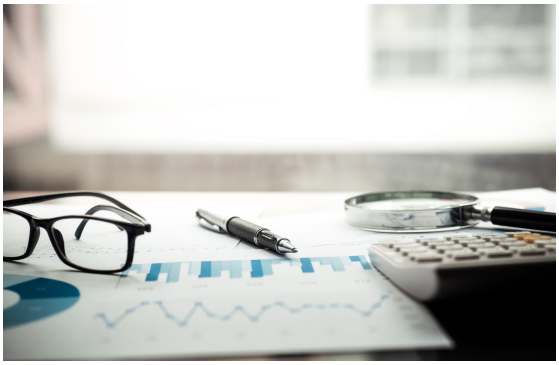
Manufacturers of America (PhRMA) increased member dues by one-half last year to prepare for battle. The pharmaceutical and health products industries spent $145 million on lobbying for the first half of 2017, according to data from the Center for Responsive Politics. Drug makers say that high prices reflect heavy investment in innovation and drug development, and reject the notion that the industry wields too much influence in Washington." PhRMA responded..."So we will continue to be engaged with the administration to advance solutions that improve the marketplace and make it more responsive to the needs of patients."

Kaiser Health News (09/25/17) Hancock, Jay

Commentary:
The major concern is that lower prices will lead to lower profits that will lead to reduced innovation. Whether this is true or not, a major input to new innovation is government sponsored and funded research that provides innovative new therapies. Manufacturers pick up the development, distribution and marketing rights for these innovative therapies. Further, innovation is no longer solely a US driven proposition. China, India, Israel, Brazil, South Africa, and several countries in Europe are just some of the leaders in researching new innovative therapies and improvements on current therapies. Hence, the argument is more complex than just paying more to get more. This argument needs to be addressed from all vantage points to ensure that expensive drugs do not necessarily mean unaffordable drugs.

ANALYTICS AT WORK |

Retrospective Audit



Problem: A common request these days is -- Can an Audit help me to understand why costs are high, when my PBM is not helpful? At the same time other PBMs say they can help, but I am not sure if this is just marketing. A client contacted us for an expedited Retrospective Audit to determine the drivers of cost and the options available for change.

Methodology: Pro Pharma performed a Retrospective Audit including tests for eligibility, benefit compliance, brand and generic pricing, specialty pricing/utilization, benchmarking to national and local standards, and transparency in bases of cost. The Audit was expedited through the use of 100% electronic/digital analyses to facilitate quick turn-around time to significantly reduced Audit Costs, and available for desk and mobile devices.

Brand when the Plan Expected Generics, problems with transparency such that AWP was inflated from national reference databases; specialty approved for total Rx without tests for FDA approvals, quantity, dosage and companion diagnostic tests; pricing above benchmarks, discount generic programs, Medicare/Medicaid when applicable, and patients paying more than cost of drug.

Outcome: The client used the findings to redirect coding options to include only Generic formulary options for multisource (especially timed-release products), OTC, store brands and private labels. They worked with the PBM to correct inflated AWP issues, and variances from Medicare and Medicaid. They moved Specialty to Prior Authorization (PA) and improved criteria. They expanded the benefit to include payments for discount generic programs and removed zero-balance options. The result was normative pricing that was measurable and validated, low single digit point-of-sale trends, and a solution for analyzing future spend.

The client felt that they now had control, as they were equipped with a plan, an understanding of the drivers of cost, a solution for matching actual spend to expectations, and improved satisfaction.

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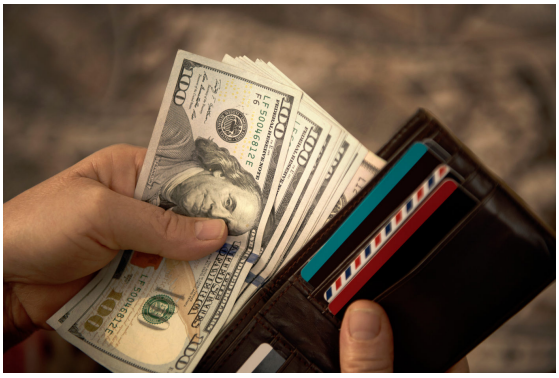

COMMENTARY |

Copays Versus Cost - Who Pays?

According to a recent Bloomberg report, several lawsuits are being filed against the major US pharmacy chains, CVS and Walgreens, for charging copays higher than the actual cost of the medication, while prohibiting the pharmacies from disclosing the lower cost alternative to consumers. The lawsuits stated that the difference in price is often pocketed by the Pharmacy Benefit Manager (PBM). Several other similar cases had been filed against UnitedHealth Group Inc., Cigna Corp., and Humana Inc.

Commentary:
Copayment, as a cost-sharing mechanism, was initially designed to manage consumer's utilization rather than as a profit mechanism for any parties involved. The issue here is transparency of drug pricing at the point-of-sale. With a lack of transparency, it is difficult for consumers to know the actual drug cost. Some benefits are designed such that the pharmacy can collect the whole copay regardless of the cost of the drug. Other benefit designs require patients

patients are paying the correct copay?

Audits determine if copays are allocated correctly. However, on an ongoing basis, there should be a method to determine if a problem is happening. Pro Pharma and its subsidiary ProData looked at this problem and offer the following advice. We performed an analysis to search for instances in which consumer's copayments are higher than the cash price of the drug. Since there are several prices it was necessary to decide which price to use. The pharmacy submitted price, Usual and Customary (U&C), or paid amounts are not a costs as they include dispensing fees and potential profits for the pharmacy. The actual cost should be the Ingredient Cost which is usually an AWP minus a discount. Therefore, when analyzing for drug cost consider the Ingredient Cost and compare to the Copay.

Source: Feeley, Jef, and Jared S Hopkins. "CVS Health Is Sued Over 'Clawbacks' of Prescription Drug Co-Pays." Bloomberg.com, Bloomberg, 8 Aug. 2017, www.bloomberg.com/news/articles/2017-08-08/cvs-health-is-sued-over-clawbacks-of-prescription-drug-co-pays.

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COMMENTARY |

Certificate of Need (CON) Versus Price Transparency

The commentary above talked about what hospitals are doing to lower cost pressures. A broader movement is when states eliminate certificate-of-need laws (CON) and push for price transparency. CON laws regulate new health care facilities and services and require new providers to make their case for entry into the market. However, 15 states have eliminated the CON laws. Florida and West Virginia have introduced bills in 2017 to eliminate these laws.

the CON laws limit consumer choice giving incumbent hospitals a competitive benefit.

What replaces the CON laws? Price transparency. States that eliminated CON laws require new specialty practices to submit performance, operations and volume data.

In Pennsylvania patients can look up data on cost and quality of care and performance data on providers and nursing homes. They also require licenses for certain procedures, and newly constructed inpatient facilities must maintain ERs to allow access for uninsured individuals.

States that have removed CON laws think that price transparency is a much better measure to drive quality than limiting access through CON. At its most fundamental this movement is another push for transparency to provide patients with more information as they are assuming a greater share of cost through greater copays and deductibles.

Source: Modern Healthcare, 4/11/17

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Pro Pharma is a woman owned pharmaceutical consulting firm. Established in 1986, Pro Pharma's services are built on a foundation of data analytics, which are then communicated to the client which provide results and recommendations.

Pro Pharma provides customized support to Health Plans, Self-Insured Employers, Physician Groups, and Workers' Compensation Companies, among others, both in the private and public sectors.

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