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PHARMACEUTICAL CONSULTANTS, INC.

# Pharmacy Benefit News

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## 01 | COMMENTARY: IF DOCTORS KNOW THE COST, WILL THEY PRESCRIBE CHEAPER DRUGS?

Modern Healthcare published an article on 8/13/18 titled "If a tool offers cost data on tests, will doctors pay attention?" The article presented the hypothesis that if doctors know the cost of tests at point-of-care (POC), then they will offer fewer tests.

They presented examples:

1. A Texas hospital that saved \$430k in 71 days by providing cost information at point-of-care.
2. Baylor Scott and White Medical Center provides a rectangle on the screen at POC with cost and risk information labs, medication, and radiology tests in real-time. The next goal will be peer comparisons of cost to treat a particular disease.
3. A 2017 JAMA Internal Medicine article provided a negative finding that giving physicians price information in the EHR for inpatient lab tests did not significantly change ordering patterns.

Comment: In a previous Pharmacy Benefit News article I spoke about Dr. Clem McDonald at Ohio State Hospitals who did this in the 1970-1980s and showed savings when he displayed costs of radiology tests when interns and residents ordered tests. The doctors returned to their usual habits when the information was removed.

Medical malpractice is usually named as the culprit for over-prescribing as is the lack of information about costs. Dr. McDonald demonstrated that cost information needs to be incorporated into normal workflow so that physicians continue to use the tool. Furthermore, if hospital revenue is hurt, then compliance may be compromised. Risk-based contracts may work such that savings provide incentives. However, information is useful when it provides answers to specific problems.

Pro Pharma's experience has shown that a program of data used in practice to achieve cost and utilization targets provides the best results when it includes peer comparisons.

## Analytics At Work | Maximum Allowable Cost List

**Problem:** Several clients have asked what to do about generic pricing in the face of new generics and many generics priced as brands. The consideration is how can the generic MAC pricing act as an anchor to the fast-rising brand pricing? Further, since MAC spread is often a significant source of revenue for PBMs, the problem was how to keep some of these margins.



A Health Plan client asked us to provide a custom MAC that detailed generic pricing on all generics including true generics, over-the-counter medications, drug store private label and store brands, extended release products, diagnostics, and medications coded as brand by the data sources, but that the client considered generic.

**Methodology:** We developed and created a custom MAC that met all the requirements of the problem. Pricing was set at wholesale acquisition cost (WAC) or below. The MAC is publicly available to the network pharmacies, updated weekly, and subject to change when necessary. Consideration was given to pricing at a State MAC and FUL but was not implemented in the first round due to dispensing fee contracts.

**Outcome:** The Plan achieved over 23% savings over the prior MAC provided by the PBM. The MAC has been in operation for several years. Trend has been consistently at minus 10%-12% and has never been lower than a minus 2% on any month.

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## 02 | COMMENTARY: PATIENTS COULD SAVE BIG IF THEY SHOP AROUND!

The argument goes that the Medicare trust fund will run out of money in 2028. Is that true? Medicare financing pays for hospital, physicians and drug payments. Medicare funds come from two sources.

The current thinking is that patients can save if they shop around for services and medications. This idea was not supported by a research study published in the American Journal of Managed Care in 2017 where researchers from the USC Leonard D. Schaeffer Center for Health Policy and USC School of Pharmacy showed that buying medications at independent pharmacies and using coupons saved money. But patients did not usually shop around. This result was confirmed by another independent study published in Health Affairs that demonstrated that patients do not commonly shop around before going to the doctor.

**Comment:** The researchers in both studies indicated that:

1. Price transparency tools are not commonly used
2. There is a challenge of assessing quality
3. There are wide variations in retail prices for drugs, lab and radiology tests
4. Patients take their doctor's recommendations and rarely compare prices

**What to do?** The obvious solutions are to make doctors aware of price transparency tools. Discharge planning should offer options and comparative cost. Savings estimates can vary, but are often at least \$100 per test.

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### 03 | COMMENTARY: JAPANESE AND EUROPEANS LIVE LONGER THAN AMERICANS. IT'S TIME TO MOVE!

Seriously, two studies published in the British Medical Journal (BMJ) during the summer of 2018 indicate that the average life expectancy in the US (78.9 years) is years shorter than other developed countries.

The studies indicate that average life expectancy through 2015 in the US ranked last among developed nations and is the only one of 18 countries with an average life expectancy less than 80 years. Japan ranked first, while several European nations, Canada, and Australia all ranked higher than the US.

**Why?** Drug-related early death and stress related conditions contributed to early deaths. In addition, alcohol-related illnesses, and increases in suicide. Note that these conditions are not chronic disease like hypertension and diabetes, but they are preventable. If this information is alarming, then society and health care professionals should take out their prescription pads. Consider drug-related illness, stressors, alcoholism and suicide as conditions requiring interventions. This is not pandering. It is an organized attempt to treat preventable conditions as well as disease. The CDC, WHO, and other organizations have delivered the tools. The new prescription methodology should include them in all patient interactions. Treat prevention like disease!

The debate about covering only the sick, only those who can afford insurance, and making insurance more affordable misses the point. All age groups are affected, and all families live with the price. Lower the price, save lives, increase life expectancy, and increase purposeful lives. No one loses.



## About | Pro Pharma

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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