PRO PHARMA
PHARMACEUTICAL CONSULTANTS, INC.

Pharmacy Benefit News

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Drug costs are frequently in the news. As a result, we are publishing past commentaries that provide options to drug cost control that are not often publicized.

COMMENTARY |

Medicare for All (M4A) - The Math Argument

The recent involvement in Congress over whether to save or kill the Affordable Care Act, i.e., Obamacare, has led to some arguing for universal care. Senator Bernie Sanders is certainly the standard bearer for universal care, but he is supported by 16 other Senators. Aside from everyone's personal political beliefs, it is important that everyone put their cards on the table, so to speak, so that all sides understand each other's argument. While we do have a position on this matter, it is even more important that we understand the facts and estimates so that reasoned decisions can be made. Objectively, here is the math argument for universal care.

Milliman actuaries indicate that the average American family of four will cost $30,000 for employer-based healthcare. The family will pay $12,378 of the total through premiums, copays and deductions. The employee will lose some income presumably, since the employer cannot raise wages adequately while also paying for healthcare. The current proposals for M4A include a 4% income tax increase. For example, a family making $75,000 per annum would pay an additional $2,000 in taxes after standard deductions. The argument is that this $2,000 in taxes would save $5,674 of the $7,674 in premiums (average premium to insurer). This $2,000 in taxes would also save an additional average of $4,704

The M4A proponents indicate that the savings include average costs of expensive care that are hopefully not required every year.

The employer argument for M4A starts with the average $16,000 that employers currently pay for healthcare for the family of four above. (The actual difference from above is $17,622, which presumably does not include discounts.) The proponents of M4A argue that the $16,000 is replaced with a proposed premium of 7.5% of salary leading to an actual employer spend of $5,625.

The pharmacy spend was estimated to reach $360 billion in 2018. The current overall inflation rate for pharmaceuticals is 6%. The estimate, then, of the 10-year cost will exceed $4 trillion. The proponents of M4A argue that US drug prices are about three times higher than in Great Britain, so there is room for the US to negotiate reductions in drug spend.

The Public Policy Project added an argument for M4A by estimating that about 320,00 people will die over a 10-year period if M4A is not passed.

This is not a political column, but it is necessary that we point out several issues with the M4A argument so that everyone argues from a position of facts, not just emotion. The concerns about the M4A argument reside in the assumptions and they include:

1. How do these numbers apply to the individual insurance market?
2. The proponents of each side argue over “invisible taxes” such as average premium paid to private insurers, estimated savings based on current taxes, costs of emergency care, alternative funding sources besides a 7.5% salary tax, etc.
3. Drug cost inflation of 6% does not adequately reflect the growing cost of specialty medications who encompass about 50% of drug spend at an 11% inflation rate that could easily grow to their prior rate of 17% over the next few years as new chronic medications are approved.
4. Estimates of time spent for health care, i.e., doctor’s office, pharmacy, etc., are looked at in different ways as either a cost increase, or less time leading to improved worker productivity.
5. M4A proponents argue that their model can save through greater economies of scale, improved claim management, better fraud detection, etc.

The argument must be placed on the assumptions of which some samples are listed above, regardless of which side you take. Of greater importance is the argument over healthcare as a right or a privilege. The actual increasing prevalence of obesity and diabetes will drive this to a necessity.

ANALYTICS AT WORK |

Retrospective Audit

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

Methodology: We 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.

Findings included potential problems with formulary claims that were coded as 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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How Do Countries Achieve Universal Healthcare?

The uncertainty in Washington and the States over the provision of healthcare has opened the debate about a universal healthcare option. Buried in the discussion is how would the US deliver and finance care? The discussion has been rather vague with reference to the government paying everything.

However, is that the only option? It would be instructive to know how other countries do it. The Commonwealth Fund researched nineteen countries to find out how they did it. Three general approaches were evident in their study:

1.Public Insurance

This is a single-payer model where government finances healthcare with tax revenues. The government contracts directly with healthcare providers. All healthcare is provided including mental health, dental and eye care. Additionally, there are no co-pays at point of service. About 10% of the population has private insurance from their employer providing faster access to specialists and elective surgeries.

Model: United Kingdom's National Health Service

2.Private Insurance

The government sets healthcare policy and regulates private insurance, but insurance and the delivery of care is left to the private sector. Everyone is required to have health insurance with a few exemptions. Low income people are provided subsidies to cover the cost of their care. The government defines the basic benefit package, but citizens must buy supplementary insurance for glasses and dental. There is a deductible, but it does not apply to primary care, maternity care, care for children, and home nursing care.

Model: The Netherlands

3.Mixed Public-Private Insurance

Government taxes support public and private insurance. Public financing supports three major non-profit insurance funds. The government manages these funds, since they negotiate with and pay providers. All citizens must be covered. Covered services include comprehensive care, prescription medications and diagnostic testing. There is a cost-sharing arrangement for doctor visits, inpatient stays, dental, and vision. There are exemptions for low-

pregnant women and children.

Model: France

Interestingly, the private insurance model has similarities to the Affordable Care Act, while public insurance is the topic commonly referenced in discussions in the US. If federal or state governments move to adopt any of these models or similar alternatives, the discussion must include options such as those described above to ensure that all ideas are evaluated.

Source: medicaleconomics.com, 1/25/18

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COMMENTARY |

Uncertainty and Transparency Drive Health Care

There are a least two overriding issues of concern in the health care community today; namely, uncertainty and transparency. Uncertainty is a result of the Federal and State Governments providing unclear direction to the marketplace in funding and access to health care. Transparency is desired in the marketplace due to higher share of cost paid by enrollees and the questionable affordability of new medications. These issues exist in a market that is consolidating and driving increased trend at the same time as the focus shifts from volume-to-value in evaluating the benefits of care and treatments.

Pharmacists, who see patients approximately three times for every Physician encounter, play an active role in educating patients, providers and the public about drug costs, payment options and alternatives to prescribed therapy. Health care professionals (Physicians, Nurses, Pharmacists) have the unique

care/population health provide a stable force regardless of the decisions of the federal and state governments. In addition, professionals have a pivotal role in addressing transparency from a commercial, clinical, and insurance perspective.

Health care professionals already have organizational communication vehicles, and maintain a position in the community that allows the public to have an objective view of the major drivers of health care. Physicians and Pharmacists are the high touch representatives of health care that can deliver the message to their local businesses and communities. Even though the lack of transparency and uncertainty are not currently optimized, we can attack both problems by communicating the issues and potential solutions to individuals and organizations. The goal would be mutual understanding by healthcare professionals and the public to bring stability to a demanding situation.

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ABOUT | Pro Pharma

Pro Pharma is a woman owned healthcare analytics and 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.

Questions? Contact us at 1-888-701-5438

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