PRO PHARMA
PHARMACEUTICAL CONSULTANTS, INC.

# Pharmacy Benefit News

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## COMMENTARY |

## Pharmacies Take the Initiative to Lower Cost and Extend Services

CVS has announced lower costs to patients at point-of-sale by including rebates in the drug cost. Walmart has announced an agreement with Express Scripts to help insured and uninsured patients save money and participate in InsideRx to save more money. Pharmacies and Pharmacy organizations are imploring Congress to remove or change the DIR (direct and indirect rebate) criteria so that they don't have to pay discounts to their PBMs.

With all this activity, it is relevant to ask if this trend is really a major change in how pharmacies price drugs, or just a marketing ploy? It is common knowledge that the same drug is priced differently for insurance vs. no-insurance. It is also common knowledge that Walmart and Costco base their pricing on a "cost plus" model.

Current options are for pharmacies to offer prescription discount cards, pharmacy assistance programs, offer generics, price match to other pharmacies, offer mail service for 90-day discounts vs. 30-days, or offer a lower cost drug of the same category. While not all pharmacies, e.g., Walgreens, do not price match, many pharmacies do. However, various studies identify cost savings of less than a few dollars when price matching of pharmacies is performed.

So, what is CVS offering that others do not? CVS is offering to adjust copays, offer price transparency and promote generics. The generic option has been

82-84%, there is not a lot of room for generic substitution. Price transparency offers a “cost plus” type option, but the prescription may not be significantly less costly or even affordable. Copays may be beneficial if the patient must pay a larger share of the cost. In truth what CVS is offering is a new tool to help patients find lower cost options through their CVS Pharmacy Rx Savings Program. It is expected that CVS will leverage ambulatory medical clinics, create more calls to physicians to change prescriptions, and/or leverage their association with Aetna to provide total cost of care reduction.

One way or the other, this is a step in the right direction, but has all the elements of a marketing ploy with some benefits. We still need to have a better option for patients to lower each element of the cost of care including drugs. Expect the issue of the cost of drugs in different countries to continue to be discussed as a revolutionary action.

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## 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

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 |

## How to Finance Health Care for All?

Ant Financial Services Group, owned by Jack Ma of Alibaba, started a “mutual protection” plan for users of its Alipay (a payment network like Apple Pay, etc.) in 2018. Fifty million people have signed up with a goal of 300 million participants in the next two years. This is not new in China. Over a dozen Chinese companies have started these “crowdfunding” products to cover the health care for themselves, their dependents and parents. Why do the people do this? More than 90% of China’s population has public health insurance that covers basic drugs and hospitalization costs after deductibles; however, high out-of-pocket costs prevent many from taking imported drugs and medical treatments.

What is crowdfunding? Individuals pay a very small fee of about 0.01 yuan (1 yuan = $0.14 USD) per medical claim when they pay with Alipay. Alipay collects an administrative charge of 8% for each payout. The administrative fee allows Alipay to review claims before payouts including interviews with patients, review of their medical records and contacts with hospitals providing care. It is important to note that In China this is not insurance so that they don’t have to obey insurance regulations. The goal of course is to spread the cost of care across hundreds of millions of people to keep the costs small. Families pay

crowdfunding plans. [WSJ, B6, 4/22/19]

**Commentary**: Crowdfunding works if they obey the law of large numbers, i.e., huge populations pay-in, while smaller numbers of people take out. The population of China allows for 300 million person goals, i.e. slightly less than the population of the US at 327 million people. Further, electronic payments and digital review of records provide only marginal cost to administration of these programs. The risk for the individual is that the company backing the crowdfund, must be stable, and financially viable for the long term so that their money is still available at the end of the year. These programs have the same problems as insurance companies without the regulation, financial restrictions, and government oversight.

While the US government argues over health care as a right or a privilege, other countries have found demand type options. Enrolling huge numbers of people is certainly a challenge, but digital payment structures lower costs and oversight expense. The current system in China is risky, but individuals are making short term choices for small fees to get the health care that they need. In China a little creativity goes a long way.

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## COMMENTARY |

## How Can Patients and Plans Take Advantage of Drugs Cost Below Current Contract Prices?

Retail prices for generic drugs are often covered by discounted generic pricing available in chain and independent retail pharmacies. These prices are often referred to as “$4 generics”. These prices are for "cash paying patients" and are not allowed in Plan/PBM contracts. The recent legislation allowing for removal of so-called “gag clauses” allows pharmacies to inform patients of lower costs

prescription that is lower than their copay. This is a true savings at point-of-sale.

A recommendation to improve on this methodology for payment is to allow the pharmacy to enter the medication onto the patient's profile. This will incur a small administration fee for the payer but will provide a complete profile for each patient. For clinical evaluation, utilization management, therapy modifications and benefit cost trends the administrative fee paid for each cash paying claim is therefore supremely justified.

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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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