



MARCH 2009

DELTA SIGMA INSIGHT

ARE YOU GETTING VALUE . . .

FROM YOUR PHARMACY BENEFIT MANAGER?

ABOUT DELTASIGMA

- ▲ **HEALTHCARE CONSULTING PRACTICE**
- ▲ **FORMER NON-PROFIT HEALTH PLAN CEOs**
- ▲ **BUSINESS, DIVERSIFICATION AND MARKETING PLANS**
- ▲ **SIGNIFICANT MEDICAID AND MEDICARE ADVANTAGE EXPERIENCE**
- ▲ **RFP STRATEGY AND RESPONSE**
- ▲ **PARTNERSHIP STRATEGY**
- ▲ **INNOVATIVE COMMUNICATION PROGRAMS**
- ▲ **INTERIM AND CRISIS MANAGEMENT SERVICES**

One half of all the prescription drugs consumed in the world are taken by 5 percent of the world's population—Americans. Yet, in terms of population health status, the United States has continued to decline compared to the rest of the world. In fact, Americans rank 44th in the world in longevity. Used properly, prescription drugs can be a critical component of patient care. Unfortunately, proper use doesn't always happen because of patients' misunderstanding of medications, over-prescribing by some providers, interactions of prescribed drugs with over-the-counter medications and so on. As a result, deaths and injuries from prescription drugs are at a record level and growing at an alarming rate.

With prescription drug costs comprising one of the fastest growing components of the cost of healthcare, most health plans now employ outside prescription benefit managers (PBM) to manage this benefit. Can you confidently say that you partner with a PBM that effectively manages both your prescription dollar and your members' health and doesn't contribute to the problems listed above?

There are many variations of PBMs. From our perspective, the ideal PBM would include ALL of the following services:

Clinical Pharmacy Management

You should require that your PBM hold current URAC accreditation and be able to fully demonstrate their capability to offer care management, disease management in specialty drugs, management of medication safety limits, drug utilization review, prior authorizations and step and quantity limitations.

Administration Fee

Depending on the size of your plan and the degree of customization you require the PBM administrative fee should be in the range of \$1.65-\$3.00 pmpm. Beware of lower fees or no fees, this means the PBM is keeping some or all of the discounts and rebates that belong to your plan.

Maximum Allowable Cost (MAC) List for Generic Drugs

Your PBM should maintain a single, aggressive MAC discount across all distribution channels (retail, mail and specialty), provide you with its complete MAC list and pricing and pass through all MAC savings to your plan. The goal should be a lowest-net cost solution.

CONTACT US

Don Hall, MPH
720-849-2480
Don.Hall@deltasigmallc.com

Sherry Rohlfing
303-907-0144
Sherry.Rohlfing@deltasigmallc.com

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Rebates

One hundred percent of all rebates should pass through to your plan with full disclosure by your PBM of any manufacturer benefits and with all agreements auditable by your plan, including pricing amendments.

Mail Service

If offered, your plan should receive the full value of contracted discounts with nothing retained by the PBM. The MAC list should be applied by the mail service to deliver the lowest net cost and the PBM should not receive revenue from mail service utilization.

Retail Network

The retail network should be comprehensive and accessible to your members with the total amount reimbursed to retail pharmacies equal to the exact amount paid for the prescription. Your plan should receive the full contracted discount with no fees or later discounts retained by the PBM.

Formulary Contracts

The PBM's formulary should be constructed based on clinically appropriate, lowest net cost with no alignment to specific manufacturers. Tiers should include drug options based on the lowest net cost even if that option is a brand name drug. One hundred percent of all Manufacturer fees and discounts should be passed through to your plan.

Specialty Pharmacy

Your PBM should offer specialty pharmaceuticals with all discounts and MAC value passed through to your plan. They should also be willing to provide pay-for-performance programs on your behalf.

PBM Ownership

Ownership should be aligned around maximizing the value of the PBM to its client health plans and the health plans' members and be completely independent of pharmaceutical manufacturers.

Contract Terms

An appropriate contract should allow the opportunity to op-out any time (with proper notice) at your request. Your contract should outline the cost for any unabsorbed start-up costs for early cancellation so there aren't any surprise fees.



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Reporting and data ownership

Your contract should outline standard reports and an expected report timeline. All data belong to your plan and you should receive regular data feeds—both to augment your own reporting system and to ensure that you will have all data necessary for future procurement processes.

Summary

Our perspective with PBM contracts is that they should conform to the same tenets of any administrative agreement you undertake wherein you pay a fixed administrative fee for services and all savings, discounts, rebates, etc. pass through to your plan. We believe that it is also critical that your PBM's philosophy align with your health plan's and that there is no confusion about who the PBM's real customer is—your health plan.

As a country, we are entering a new era of business transparency and fiscal responsibility. Your selection of a PBM can say a great deal about how your customers view you in this regard.

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