



# MANAGING PRESCRIPTION DRUG COSTS

**NCCMP Lawyers & Administrators Meeting  
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# Pharmacy Benefit Challenges for Plan Sponsors

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- Significant year-over-year cost trends continue
  - Price inflation
  - Specialty drug utilization
  - Generic dispensing plateau
- Robust pipeline for high cost specialty medications
- Opioid drug overuse and abuse
- Industry consolidation may reduce competition
- Continued PBM gaming of contractual language
- Balancing cost control with member satisfaction
- Service issues among some PBMs, resulting in misapplication of plan rule changes and new financial terms



# PBM Profit Sources

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PBMs have multiple sources of potential profit and will vary pricing terms/fees based on the plan's unique characteristics

## **Retail**

- AWP margin "spread"
- Dispensing fee margin "spread"
- System access fees

## **Mail Order and Specialty**

- AWP margin
- Purchase discounts
- Patient services

## **Pharma Revenue**

- Formulary rebates
- Incentive rebates
- Administrative fees
- Patient education/ services
- Data sales
- Clinical Grants
- Other

## **Administrative Fees**

- Utilization Management
- Clinical programs
- Medicare Part D administration
- Disease and Health management

# PBM Focus: Formulary and Rebate Basics

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## What is a formulary?

List of preferred drugs established by a PBM referred to as a preferred drug list (PDL)

Can be open, incentive or closed (certain drugs are not covered)

Generic drugs are typically preferred along with select brand drugs

PBMs may have one or more standard formularies and may also manage custom formularies

For drugs that “may be included”, the PBM makes a determination based on cost

A PBM’s Pharmacy and Therapeutics Committee (P&T) determines whether a drug must be, must not be, or may be included on the formulary

# Prescription Drugs & the Administration

- Issued *Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs* in May 2018
- **Disclosure:** HHS proposal to require drug manufacturers to include wholesale acquisition cost (WAC) in direct-to-consumer TV ads if drug is payable under Medicare or Medicaid (final rule sent to Office of Management at Budget on 3/18/19)
- **Importation:** Set up working group to examine how to safely import Rx from other countries in limited circumstances



# Rebates: Proposals to shift to Discounts

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- **Rebates:** HHS proposal to replace Medicare Part D, Medicare Advantage, and Medicaid MCO rebates with upfront patient discounts and fixed fees paid by manufacturers to PBMs (published 2/6/19)
  - Studies predict Medicare Part D premiums could increase because point-of-sale discounts will not make up for loss of rebate revenue
  - Beneficiaries with high-cost drugs will have lower out-of-pocket costs
  - Fixed fees paid by manufacturers to PBMs could include fees for data management; establishing payment levels for network pharmacies; Medicare Part D administration; developing and managing formularies, preferred drug lists, and prior authorization programs; utilization management programs; performing drug utilization review; patient education and service; clinical grants; data sales; clinical programs; and operating disease and health management programs
- Rebate bill affecting commercial market introduced
  - Drug Price Transparency Act (S. 657) was introduced March 5, 2019 by Senator Braun (R-IN)
  - Would extend the HHS rebate proposal to insurers and group health plans, including self-funded plans

# Latest Actions by Federal Agencies

- Final HHS Notice of Benefit and Payment Parameters for 2020 due out very soon
  - Sets out-of-pocket limits for 2020
    - *Proposed* amounts (\$8,200/\$16,400)
  - May open the door for further flexibility to encourage use of generics over brand (e.g., not counting brand coupon toward ACA-required out-of-pocket limit when generic is available)



# Prescription Drugs & Congress

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## ➤ Senate Finance Committee

- Hearing held on February 26, 2019, with testimony from pharmaceutical manufacturers
- PBMs to testify on April 9, 2019 (CIGNA, CVS, Human, OptumRX, and Prime Therapeutics)

## ➤ Could see action on various bills:

- CREATES Act (requires brand manufacturers to provide samples of drugs to generic manufacturers)
- Importation of drugs from Canada in certain circumstances
- Prohibition of pay-to-delay deals between brand and generic manufacturers





# The Fight for Transparent Pricing

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## States Taking Action

- States have drafted more than 60 drug price transparency bills designed to unveil PBM business practices and identify costs for manufacturing expense and list price
- Vermont was the first state to pass cost-transparency legislation that penalizes pharmaceutical companies for price gouging
- California requires drug companies to give two months' notice when they plan to significantly increase the price of a drug
- Nevada enacted a measure that requires manufacturers of diabetes medicines to provide information on why they are increasing prices



# Questions?

