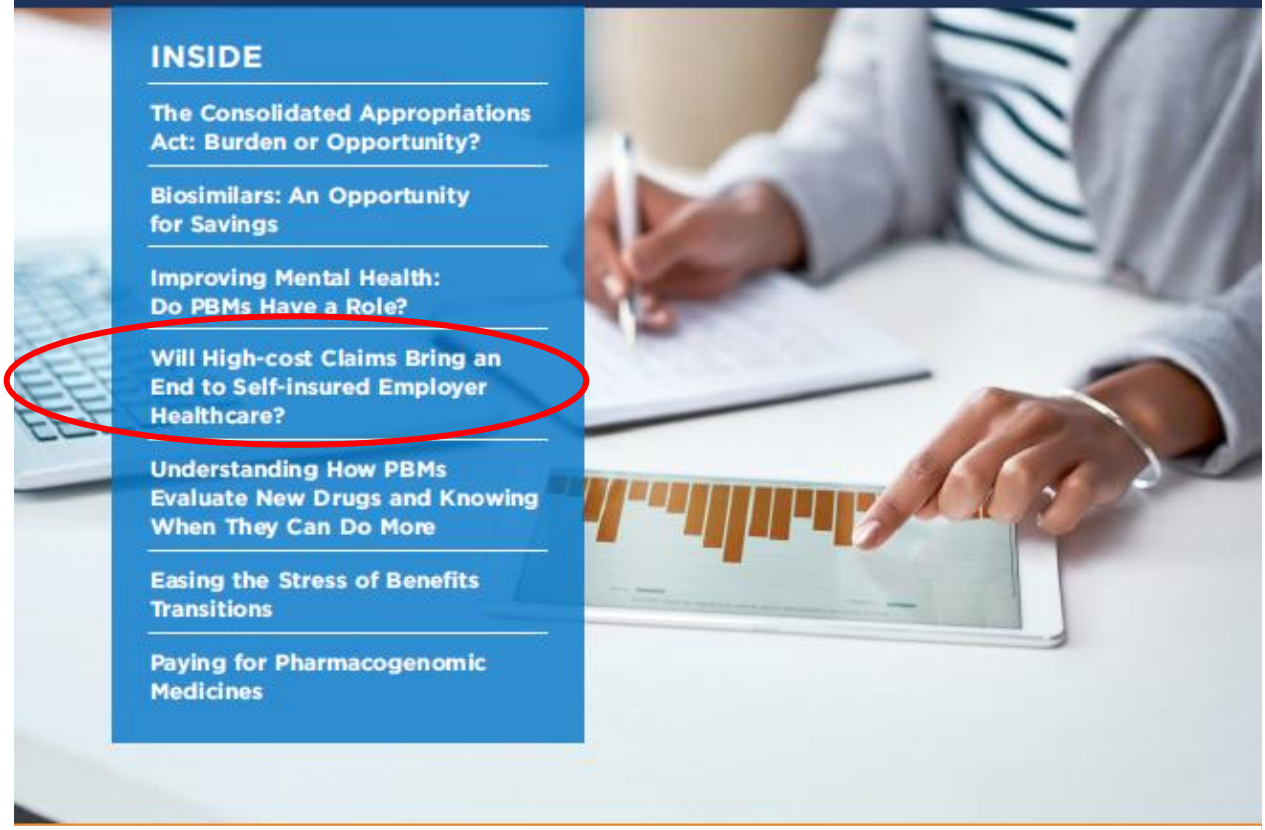
2021 PBM REPORT

National Alliance of Healthcare Purchaser Coalitions
Driving Health, Equity and Value

# Opportunities in Pharmacy Benefit Management



## INSIDE



REPRINT

# Will High-cost Claims Bring an End to Self-insured Employer Healthcare?

***Employers can implement strategies that result in cost reductions in the 25%–50% realm under both the medical and the pharmacy benefit—often with a focus on the fewer than 10% of plan enrollees who account for the majority of plan spending.***

In an environment of continually increasing healthcare costs, the accelerating growth in the cost of specialty medications and high-tech medical treatments is particularly concerning. Specialty pharmaceutical utilization has grown 400% since 2010, to approximately $400 billion annually; it now accounts for over 14% of total healthcare expenditures and approximately 50% of total drug spending, a figure which could double over the next 3–5 years, based on the current drug manufacturer pipelines.

The bad news: Neither the fully insured nor the stop-loss marketplace offer adequate protection from high-cost claims beyond one year for most employers.

The good news: There are many proven strategies to significantly reverse the upward cost trend that are implementable today. Employers implementing these strategies are seeing cost reductions in the 25%–50% realm under both the medical and the pharmacy benefit—often with a focus on the fewer than 10% of plan enrollees who account for the majority of plan spending. The most common strategies employers have been implementing successfully fall into three main categories:

1. Better alignment of incentives in vendor relationships to minimize cost and prevent waste in the system.
2. Risk-shifting or risk-sharing strategies that effectively move risk and costs off the plan.
3. Flexible sourcing to access needed products and services from lower-cost alternatives when available.

There are also solutions valuable for long-term sustainability and stability, such as catastrophic risk pools, value/outcomes-based pricing, and better aligning incentives with benefit administrators, providers, manufacturers, and consumers.

One additional emerging strategy for self-funded employers is the introduction of fiduciary compliance into the benefit administration equation, a primary focus of the Consolidated Appropriations Act of 2021 (See related article.) and Transparency in Coverage regulations intended to ensure that fiduciary control remains in the hands of plan sponsors.

To achieve these very attainable goals, employers may need to examine their vendor contracts to garner desired flexibility. Several strategies follow that employers have successfully implemented in recent years to mitigate or avoid high-cost claims, while still providing plan participants with affordable access to needed healthcare services and drug therapies, without sacrificing quality of care.

See the impact in the table below of these strategies successfully deployed by self-insured employers:

- Excluding unwanted "high-cost," "low-value" drugs from formularies without penalty.
- Moving all drug management under the pharmacy benefit to consolidate and streamline prior authorization controls and clinical oversight and, at the same time, prevent inflated costs for provider-administered drugs flowing through the medical benefit.
- Implementing ERISA-compliant secondary payer strategies that leverage a multitude of options to share risk with external parties, such as offering incentives to move employees and dependents to spousal plans or leveraging Medicaid, Medicare or Exchange plans, when available.
- Incorporating flexibility to source pharmaceuticals and medical services from the lowest net-cost providers.
- Driving utilization to centers of excellence, particularly for complex and high-cost conditions, for improved outcomes and long-term cost savings.
- Carving out clinical functions, such as prior authorization and pre-certification services, to independent third parties that can ensure unbiased, clinically rigorous oversight.
- Waving copays/coinsurance and deductibles to incentivize plan participants to adopt cost-effective sources of care and embrace quality-improvement opportunities. Examples include no or lower out-of-pocket costs to plan enrollees for: high-cost chronic medications; utilization of high-quality/cost-effective providers and lowest-cost pharmacy options, including 340B pharmacies; and
- Taking advantage of drug manufacturer and charitable programs, such as copay assistance and patient assistance, to lower the overall net cost to both the plan and plan participants for drugs that otherwise would be unaffordable. Using these approaches, the plan sponsors are capturing the savings for high-cost drugs made available through these programs and waving or eliminating out-of-pocket costs to plan enrollees under the plan benefit. Cost reductions ranging from 30% to 75% net of administrator fees are possible, particularly on high-cost specialty medications.

And the list goes on. There is no one-size-fits-all option or magic bullet for every case, so the more options available to leverage under the benefit plan, the better.

To conclude with a provocative statement for self-funded employers: talk to your brokers and consultants, and tell them you would like to reduce total plan spending by 25%–50% within the next 12–18 months without reducing benefits or

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| Before | $3.5MM Annually | $194K Annually | $248K Per Treatment | $66K Annually | $10.1MM Annually |
| | Hemophilia Cost Savings | Retail Discounts on Specialty Generics | Pharmacy Sourcing to Avoid Clinic Buy/ Bill Charges | Copay Assistance Programs | Patient Assistance Programs |
| After | $0.9MM Annually | $8.8K Annually | $15K Per Treatment | $50K Annually | $4MM Annually |
| | 75.5% | 95.5% | 93.9% | 24.2% | 60.0% |

shifting costs to plan enrollees. Don't focus solely on going out to bid for bigger discounts and drug rebates. While still important, those alone are not sufficient now. It is not enough to simply discount trend; the time has come to CHANGE the trend. Many employers have achieved 50% or greater cost reductions in their self-funded benefit plans. Every employer can, and should, be seeking and accomplishing the same.

For human resources and C-Suite management concerned about adding complexity or disrupting member access to care, neither has turned out to be the case for the many employers who have implemented the strategies described above. Other than signing off on member communications and fielding the occasional employee question, there should be very little day-to-day involvement for the plan sponsor.

Because every high-cost case can have its own unique characteristics and circumstances, putting in place multiple options like those highlighted here will, at the end of the day, allow any employer to effectively reduce the frequency and severity of claims of all shapes and sizes, while also allowing them to better accommodate and mitigate the impact of high-cost claims when they do (and they will) occur.

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