

2023 **P B** Annual National
M I CONFERENCE

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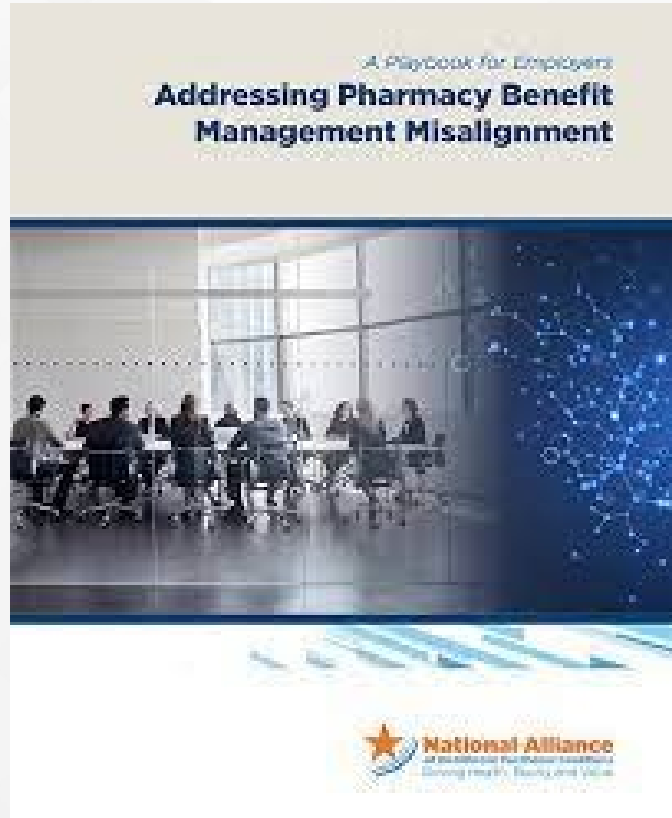
Employer Activation to Improve Pharmacy Benefit Management

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Addressing PBM Misalignment

Key Content

- Role of Fiduciary in PBM Management
- Overview of the General Landscape
 - Key areas of concern
 - Drivers of drug value
- Economics & Conflicts of Pharmacy Benefit Management
 - Failures in the PBM value chain
 - Flaws in the current PBM selection process
 - Managing conflicts in advisor selection
- PBM principles for Contracting & Governance
- Purchaser Recommendations



Inserts

- Potential Misuse of P&T Committees
- Standard Industry Pricing: A fundamental flaw in the market
- Medical Drugs
- 340B Drugs
- Impact on Biosimilars

Appendices

- Spectrum of PBM Terms & Models
- Top 10 PBM Concerns
- Sample Questionnaire for Pharmacy Benefit Consultant
- “Fiduciary-like” Standards & Terms
- Sample Contract Language
- Policy Advocacy (EmployersRx)
- References and Resources

Role of Fiduciary in Pharmacy Benefit Management

- Health plan sponsors have fiduciary obligation to disperse plan assets in a prudent manner for the exclusive benefit of plan participants and beneficiaries
- Fiduciaries are required to be experts in the subject matter entrusted to them, or to become educated by subject matter experts
- Prudence standard for fiduciaries
 - It is a prudent expert standard, not a prudent layperson standard
 - A good faith effort is not enough

Economics and Conflicts of Pharmacy Benefit Management Failures in the PBM Value Chain

Retail Pharmacy

- Gag clauses
- Lack of utilization management

Specialty Pharmacy

- Gag clauses
- Highest cost and highest margins
- Lack of utilization management
- Blended pricing (brand/generic)

Manufacturer

- Captive to Big 3 demands for revenue, rebates and administrative fees
- No external control of price markups
- Non-competitive practices (e.g., blocking biosimilars)
- Physician detailing and “off label” usage promotion
- Limiting copay assistance programs

PBM

- Spread pricing
- Inflated [MAC](#) and [AWP](#)
- Hidden clauses and definitions
- “Admin fees”
- Rebate- and revenue-centric contracting and formulary management
- Lack of appropriateness screening

PBM-affiliated Pharmacy

- Captive mail, specialty, retail
- Margins, self-dealing
- Conflicted dispensing (e.g., biases toward brand, 90-day retail)
- Lack of utilization management
- Competition limiting

PBM Affiliated Rebate Aggregator

- “Sheltered rebates”
- Ambiguous rebate definitions

Physician Prescriber

- Influence of physician and patient detailing
- Economic interests in some treatments (e.g., cancer)

Member/Patient

- Inflated costs and cost share
- Affordability and adherence
- Stockpiling

Plan Sponsor/Employer

- Lack of Transparency
- Reliance on Conflicted Advisors
- Price and rebate centric value assessment
- Lack of end-to-end audit
- Variable copay (copay accumulator and maximizer)

Top 10 Pharmacy Benefit Management Concerns

Identified by an Industry Advisory Committee and Purchasers

- Promotion of higher-price drugs when lower-price drugs are available
- Coverage and/or preference of a brand when a generic or biosimilar is available
- Coverage of specialty drugs for circumstances that clinical evidence does not support
- Automated approval process for prior authorizations causing rates to soar over 90%
- Redefining generics as brand drugs or vice-versa to manipulate guaranteed pricing discounts
- Systematic approaches to encourage waste including refilling too soon or automatic 90-day refill
- Coverage of high-cost, low-value drugs such as drugs that have less expensive over-the-counter alternatives
- Replacing drugs eligible for rebates with 340B drugs not eligible for rebates, without passing through lower price of 340B drugs
- Narrow definition of “rebates” which allows the PBM to “pocket” recharacterized manufacturer revenue
- Plan sponsors being “held hostage” on any and all PBM contract terms, financial guarantees, and provisions regardless of magnitude of desired benefit changes

Resources

- Contact National Alliance – info@nationalalliancehealth.org
- Links to National Alliance [news release on the PBM employer playbook](#) and [PBM employer playbook](#)