

Commercial Pharmacy Benefits Design Environment

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The logo for the Institute for Integrated Healthcare (IHI) features three vertical blue bars of varying heights to the left of the word "Healthcare" in a white, sans-serif font, all contained within a dark blue rectangular background.

Institute for Integrated Healthcare

The logo for Access Market Intelligence (AMI) features the letters "AM" in a bold, orange, sans-serif font, followed by the word "Intelligence" in a white, sans-serif font, all contained within an orange rectangular background.

Access Market Intelligence

Learning objectives

- ▶ Differentiate prescription drug coverage
- ▶ Determine current prescription drug benefit design trends in the United States related to biologics or specialty medications
- ▶ Identify trends affecting pharmacy benefit plans in commercial insurance (employers as plan sponsor) and ACA impacts on self-funded plans

Commercial Plans Going forward post Health Care Reform?

- ▶ Democrats are adamant the law stay in place.
- ▶ Republicans are adamant the law goes.
 - **This dynamic means there is no pathway for real improvement of changes during the remainder of the Obama administration**
- ▶ Employers need to chart a path forward, recognizing that they will get little help from Washington. This requires two steps:
 - **Creating health care plans that work for employers and employees within the current structure**
 - **Lay the groundwork for change now that will have to come in a future administration (2018)**

Goals of Pharmacy Benefit Design: Application to Oncology

What Are the Goals of Pharmacy Benefit Plan Design?

- ▶ Coverage of medications that effectively treat patient and also reduce overall medical costs
- ▶ **Prescriber flexibility** in selecting medications that meet needs of individual beneficiaries
- ▶ **Member freedom** in choosing a pharmacy that's readily accessible
- ▶ Inclusion of written instruction sheets, medication monitoring, and personalized **counseling**

What Are the Goals of Plan Design?

(Cont'd)

- ▶ Monitoring of **patient compliance/adherence** with drug therapy
- ▶ **Prevention** of potentially harmful **drug interactions** through maintenance and use of patient medication records
- ▶ Strict **quality assessment** standards
- ▶ Appropriate **review of drug utilization**
- ▶ Promotion of **prudent patient utilization** of benefits with strategies that may include copayments or plan limitations

Specialty/Oncology Drugs: Carve-In? Or Carve-Out? Or What?

- ▶ First specialty drug (injectables) were covered under medical benefit
 - Increasing numbers are now self-administered
- ▶ Plan sponsors have moved specialty drugs from medical to prescription coverage to “better control use and cost”
 - Claims transparency improved under pharmacy benefit, but coverage parity still lacking
 - MBGH/IIH National Employer Surveys show mandatory SP services desired to better meet service through specialty vendors

Unique Challenges of Specialty/Oncology Carve-Outs

- ▶ Patients/providers complain that carve-outs of specialty drugs:
 - Complicate/fragment care
 - Place limitations on patient's right to choose and access care – cost not outcomes driven
- ▶ Frequent claims audits are needed to prevent service(s) being claimed under both medical and pharmacy benefit
- ▶ Need for reinsurance innovation
 - Failure of primary insurance coverage to manage economic risk for employers

Plan Design Process

1. Identification of what organization hopes to accomplish
 - Improve employee health?
 - Control pharmaceutical costs?
 - Reduce overall health care spending?
 - Enhance employee recruitment and retention?
 - Lower worker absenteeism?
 - Improve worker productivity?

Four Broad Characteristics of Benefit Plans

- ▶ Quality
- ▶ Accessibility
- ▶ Efficiency
- ▶ Participant satisfaction

Employer Plan Design Checklist

Need

- What are the current health needs employees? Their families?
- Are there any demographic factors that will influence future needs?
- Does the plan address these?

Eligibility

- Who will be participating in the plan? Employees? Spouses? Dependents?
- How long must a person wait before being eligible?

Financing

- How will benefits be financed?
- Will the plan participants contribute to the cost of the plan through premiums?
- Will there be other cost sharing such as deductions, copays or coinsurance?

Coverage

- What benefits will be provided?
- Will there be any limitations? Restrictions? Exclusions? The quantity of drugs allowed per prescription?

Plan Design Checklist (Cont'd)

Choice

- What choices will participants be given and under what circumstances?
- Will the program be mandatory or voluntary?
- Will there be an open or closed pharmacy network?
- What happens if a prescription is needed while a person is out of the country?
- Will participants be able to choose a brand-name drug instead of a generic drug?
- Will there be any incentives to encourage particular drug choices?

Legal Requirements

- Are there any elements of the plan that are required as part of a contractual agreement with a union or other entity?
- Are there any plan features that are required by state or federal law?

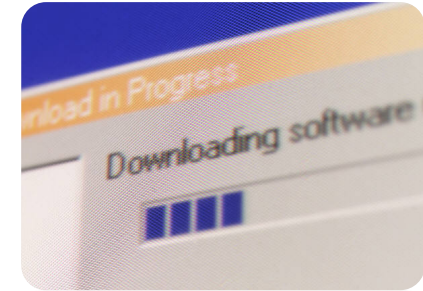
Changes in the Healthcare System Environment Impact Employers

Top 3 Market Changes

1. Ownership (+ Mergers & Acquisitions)
2. Cost and Quality Management (Use of IT)
3. New focus on Risk



Pharmacy ownership and “Enterprise” Strategy



Enterprise Software - EMR



Organizational Changes with New Stakeholders and goals for structure (ACOs)



Let's Sum Up

- ▶ Goals of benefit design: coverage, flexibility, cost containment, disease management, etc
- ▶ Design can affect Rx costs, overall medical costs, participant satisfaction, participant compliance/adherence, provider satisfaction, employer costs
 - Need for reinsurance innovation
- ▶ Commercial plans/employer are in a position to drive change unlike government
 - Drive clinical services value versus dispensing only

Questions / comments

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