The MACo HCT Story

- The Montana Association of Counties Health Care Trust (MACo HCT) was created in 2005 to provide high quality, affordable health insurance benefits to Montana counties and special districts.

- MACo HCT started with 10 counties and 500 members in 2006.

- Today we have 40 counties, over 3,000 members and 5,100 covered lives. 2018 revenues were $26 million and estimated equity is around $11.4 million.
The MACo HCT Story Continued

- The Trust is governed by a 7 member Board of Trustees. Two of our Trustees are here today.

- MACo HCT offers self-funded medical, prescription, dental and vision plans to county elected officials and county employees.

- We also offer an array of other employee benefits including Life and AD&D Insurance, a group Retiree Medicare Advantage plan and an Employee Assistance Program.

- Since 2007, MACo HCT has worked with a contracted independent consultant to negotiate our PBM renewals.

The MACo HCT Story Continued

- Like other health plans, MACo HCT was concerned with the ever increasing costs of prescription drugs and we did everything we thought we were supposed to secure the best possible terms with our PBM.

- MACo HCT contacted Innovative Rx Strategies in November 2015 because our prescription drug costs were out of control and because of service issues with the incumbent PBM at that time.
Initial Assessment by Innovative RX

• Innovative Rx Strategies reviewed MACo HCT’s PBM contract (including pricing terms and conditions) and performed a pricing analysis to see if the PBM was meeting its pricing commitments.

• After reviewing MACo HCT’s PBM contract and how the PBM was performing from a pricing standpoint, the recommendation was made to MACo HCT to take advantage of the market check provision in its PBM contract to release a Market Check RFP.

• MACo HCT’s pricing was below market and the PBM’s pricing performance (discounts/rebates) was not close to what MACo HCT thought it had agreed to in its PBM contract.

• However there was no pricing guarantee language in MACo HCT’s PBM contract that would have allowed it to re-coup money from the PBM because of its pricing underperformance.

• Certain drugs were excluded from pricing/rebate guarantees.
2016 Market Check RFP

MACo HCT released a Market Check RFP in June 2016.

The goal of the Market Check RFP was to re-set MACo HCT’s pricing floor by obtaining better discounts and rebates and make MACo HCT more competitive against fully-insured plans from a pricing standpoint for other county business in Montana.

2016 Market Check RFP

When MACo HCT advised their PBM that MACo HCT was releasing a Market Check RFP, the PBM acknowledged that they had been taking advantage of MACo HCT from a pricing standpoint and that they needed to improve their discounts and rebates.

The Market Check was sent to two other PBMs comparable in size to the incumbent PBM to get the most aggressive pricing for MACo HCT.
Results of the 2016 Market Check RFP

- MACoHCT received market competitive pricing as a result of the Market Check RFP.

- The final pricing offered by the incumbent PBM as a result of the Market Check RFP reduced MACoHCT’s 2017 prescription drug costs by 20% compared to MACoHCT’s 2016 drug spend.

Results of the 2016 Market Check RFP

- Tier pricing negotiated with the incumbent PBM as part of the Market Check RFP improved MACoHCT’s 2018 pricing by an additional $153K compared to MACoHCT’s 2017 discounts.

- Innovative Rx Strategies renegotiated an amendment with the incumbent PBM to include pricing guarantee language and a pricing audit provision to hold the incumbent PBM accountable for the pricing it committed to in the 2016 Market Check RFP.

- The incumbent PBM actually exceeded its pricing guarantees in 2017.
2018 MACo HCT RFP

• MACo HCT released a RFP in the summer of 2018 and invited six (6) different PBMs (3 large PBMs/3 boutique PBMs) to participate in the MACo HCT RFP process.

• After reviewing the RFP responses, MACo HCT invited 4 PBMs (3 large PBMs/1 boutique PBM) to participate in finalist meetings.

At the conclusion of the finalist presentations, MACo HCT eliminated the incumbent PBM from consideration because of ongoing service issues and because the incumbent’s pricing was not competitive compared to the other finalists.

• With its new pricing effective 1/1/19, MACo HCT will save almost 13.5% on its 2019 prescription drug spend compared to 2018.
How to Save Money on Your Pharmacy Benefits

Important to identify opportunities to save money on prescription drug costs by:

• Reviewing current PBM contract including pricing terms/pricing guarantees

• Releasing RFP for PBM Services is the first step in negotiating better pricing to lower your prescription drug costs

• Negotiating a new PBM Agreement with better contract terms and conditions

How to Save Money on Your Pharmacy Benefits

Important to identify opportunities to save money on prescription drug costs by:

• Conducting quarterly and annual PBM pricing audits; claims audits are not worth the time or money

• Understand the cost of clinical programs, particularly around the cost and use of specialty drugs

• Providing ongoing account management services

• Negotiating meaningful guarantees
Traditional vs. Transparent PBM Pricing Offer

PBMs have historically offered two pricing options:

1. Traditional Pricing – PBM charges the client a fixed rate on brand drugs and goes at risk for any variability in their negotiated pricing with the pharmacies. Typically PBMs do not charge an administrative fee in a Traditional offer.

   Traditional pricing is similar to how most retail businesses price their products. The PBM purchases the medication from the pharmacy at one price and sells it to their client at another, retaining enough margin to cover their costs and make a profit.

2. Transparent or Pass-Through Pricing – PBM charges the client the same pricing it is paying the pharmacy, for both brands and generics, and charges the client an administrative fee.

Pros and Cons of Contracting Directly With a PBM

Pros:

- Ability to negotiate better overall pricing terms than what a health plan may have with a PBM
- Dedicated account management team and dedicated 1-800 number
- A PBM contract with specific pricing and performance guarantees and other beneficial contract terms
- Potential for lowering overall medical premium costs by excluding pharmacy services from monthly PMPM fee
- Integration of medical and pharmacy data is a non-issue
Pros and Cons of Contracting Directly With a PBM

Cons:
• Negotiate medical only pricing with health plan
• Health plan may try to keep the profitability of the drug benefit by not agreeing to reduce monthly PMPM fee

Could save more than 10% on annual prescription drug spend by contracting directly with a PBM even if health plan will not lower its monthly PMPM fee.

The RFP for PBM Services Process
• Understanding why a PBM answers RFP questions in a particular manner.
• RFP needs to be written to elicit answers a client needs to make an informed decision on selecting a PBM.
• Ask the difficult questions a PBM does not want to answer.
The RFP for PBM Services Process

- Each RFP needs to be specific to each client based upon their needs and requirements. No two clients are ever the same.

- RFP needs to be written in such a way that it does not lend itself to “canned answers” from a PBM’s RFP response library.

- RFP needs to include key PBM contract terms and conditions the PBM must agree with before it can move on to the finalist meetings.

The RFP for PBM Services Process (cont.)

The specialty drug/specialty pharmacy sections of the RFP will assess:

- a PBM’s capabilities to meet certain criteria including:
  - member on-boarding;
  - benefit validation;
  - member education;
  - side effect management;
  - inventory management;
  - optimal distribution;
  - compliance and outcomes;
  - ability to coordinate specialty within medical plans;
  - reporting capabilities; and
  - ability to meet all specialty drug needs.
The RFP for PBM Services Process (cont.)

The specialty drug/specialty pharmacy sections of the RFP will assess:

- a PBM’s clinical management capabilities including:
  - prior authorization coordination;
  - approach to use pharmacogenomics;
  - category level and clinical/operational management programs

The RFP for PBM Services Process (cont.)

- Each RFP response needs to be thoroughly reviewed and make sure you understand each PBM’s RFP response.

- Do a comparative analysis of each PBM’s pricing proposal.

- What is a brand drug? What is a generic drug? What is being excluded from the discount and rebates?
The RFP for PBM Services Process (cont.)

• Do not allow the PBM to conduct a “dog and pony show” at the finalist meeting. At the finalist meetings you need to make sure you have clear and unambiguous answers to every question asked in the RFP.

• Once the PBM is awarded the business you do not want the PBM to ever say during contract negotiations: “We never agreed to that in the RFP.”

• Ask follow-up questions and make sure you are getting answers to every question that comes up in the finalist meeting before awarding the PBM contract.

PBM Agreement – Key Terms and Provisions

Definitions

Account Management and Customer Service

Pharmacy Network Access

Market Check

Audit Provisions
PBM Agreement – Key Terms and Provisions

Definitions

Data Security

Pricing Guarantees

Exclusionary Language (pricing and rebate guarantees)

Performance Guarantees

Questions and Discussion