

State of Arkansas

Pharmacy Plan Clarifications and Follow Up

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Rx Cost Comparison versus Segal Benchmarks

- Segal provided an original pharmacy review on July 22, 2021 which included a preliminary benchmark comparison between EBD and Segal's data warehouse.
- Due to delays in receiving detailed data, we used the original EBD plan paid amounts per member per month (PMPM) as reported in MedImpact's Business Financial Review 2020.
- Based upon comments of the benchmark comparison during the ALC Subcommittee meeting, particularly around whether coupon amounts were included in the numbers, Segal performed additional review.
- We confirmed that coupon amounts are netted out of the plan paid amounts in EBD's numbers; however, they are not included in Segal's data warehouse benchmarks.
- Also upon further review, we believe eligible members were overstated by 15,000 in the PMPM calculated by MedImpact creating a lower PMPM than actual.
- It appears that PMPM amounts were calculated off total members in ASE and PSE including actives, early retirees and Medicare retirees, although PSE Medicare retirees do not have pharmacy coverage.

Rx Cost Comparison versus Segal Benchmarks

Revised

Total 2020 Average Members	159,357
2020 PSE Medicare Members with no Rx Coverage	15,038
Pharmacy Average Members (no PSE Medicare)	144,319

	Original			Revised		
	EBD	BM	Vs. BM	EBD	BM	Vs. BM
Total Cost	\$ 108.06	\$ 113.04	-4.4%	\$ 119.32	\$ 113.04	5.6%
Member Cost Sharing	\$ 17.84	\$ 9.04	97.3%	\$ 19.70	\$ 9.04	117.8%
Other Paid (Coupon)	\$ 7.30	\$ -		\$ 8.06	\$ 8.06	
Plan Paid	\$ 82.92	\$ 104.00	-20.3%	\$ 91.56	\$ 95.94	-4.6%
Rebate %	13%	25%	-48.0%	13%	25%	-48.0%
Net Plan Paid	\$ 72.14	\$ 78.00	-7.5%	\$ 79.66	\$ 71.95	10.7%
PMPM Difference		\$ 5.86			\$ (7.71)	
Total Difference		11,199,969			(13,345,679)	

The correction to the member counts reported by MedImpact shows the EBD plan cost is 10.7% higher or \$13.3M more than the Segal benchmark.

Projections Based on Recent Procurements

- Subsequent to our preliminary benchmark, we received actual claims data.
- Based on EBD's data and the information received through recent procurements, we estimated the top 5 categories of your drug spend would generate \$35M in rebates, \$13 million more than your current rebates in just these categories alone.
- Segal has conducted 4 state level bids in the past 6 months and has received rebate guarantees from multiple PBMs that range between 25-35% of gross discounted cost

	EBD	25% Rebates	35% Rebates
Total Cost	\$ 119.32	\$ 119.32	\$ 119.32
Member Cost Sharing	\$ 19.70	\$ 19.70	\$ 19.70
Other Paid (Coupon)	\$ 8.06	\$ 8.06	\$ 8.06
Plan Paid	\$ 91.56	\$ 91.56	\$ 91.56
Rebate % of Total Cost	13.0%	25%	35%
Rebate \$	\$ (15.51)	\$ (29.83)	\$ (41.76)
Net Plan Paid	\$ 76.05	\$ 61.73	\$ 49.80
PMPM Difference		\$ (14.32)	\$ (26.25)
Total Difference		(24,797,705)	(45,462,459)

Misc Recommendation Issues

- EBRx stated Segal provided projection of significant rebate revenue in the absence of:
 - EBD’s actual claims experience evaluation – Segal received and evaluated actual claims experience
 - Drug coverage policies evaluation – Segal did not receive drug coverage policies; however, a recent procurement included 1,000 pages of clinical drug coverage policies that were evaluated by the bidding PBMs and did not impact rebate generation
 - Consideration of EBD’s excluded drugs – We used claims to determine estimated rebates, and excluded drugs should have no utilization and therefore no impact on rebates
- EBRx stated that overall recommendations promote the larger PBMs
 - As stated before, the incentives of the larger PBMs do not generally align with our state’s pharmacy benefit management philosophy – We are recommending you go to the market to see what are the best options for the Plan.

Independent Pharmacies & Specialty Drug Coupons

- The state can reimburse Arkansas based independent pharmacies separately from chain/other pharmacies.
- Our benchmark savings analysis is based on improvements in rebate revenue and does not reflect reduction in reimbursement to independent pharmacies.
- Specialty Drug Coupon programs are widely available in the market from PBMs as well as standalone vendors who specialize in patient assistance programs.
 - These programs are plan design based and increase member copays that are offset by using a manufacturer coupon.
 - All of these programs are designed to have \$0 member out of pocket cost.

Guarantees

- EBRx commented “Pharmacy reimbursement and Rebate guarantees – such guarantees shift control of the Plan to the PBM”
 - This is misleading, EBD is self-insured and has complete control of the plan, plan design, formulary and utilization management protocols.
 - Rebate guarantees are for the benefit of EBD and would be based on EBD specific drug utilization.
 - Arkansas is the only State plan that we know of that does not have minimum guarantees on rebates or discounts.
- EBRx commented in reference to Pharmacy reimbursement and Rebate guarantees “According to Segal, “Potential Plan Concerns – (1) pressure on retail pharmacy reimbursement and (2) May lose some control on formulary and utilization management decisions with rebate guarantees.”
 - Segal was acknowledging these are potential concerns and can be addressed through RFP design and requirements around pharmacy reimbursement.

Formulary Management

- Evidence based review of drugs is comparable to industry standard of PBMs using independent Pharmacy & Therapeutics (P&T) Committees to review formulary additions and clinical review protocols.
 - PBM clients and their consultants routinely attend P&T meetings for observation of the process
 - As previously stated, Segal supports the evidence based approach to formulary design
- The EBRx Closed Formulary can be included in a RFP so the PBM is bidding on this formulary and not their preferred formulary. Rebate guarantees or rebate projections would be based on this formulary design.
- High cost/low value drugs are routinely excluded and we are not recommending changing drug coverage to “chase” rebates.

Transparency

- Transparency is generally not an issue with State Level plans due to procurement and contract requirements for disclosure.
- Rebates and other manufacturer revenue is 100% passed through to the State and can be audited by independent auditing firms.
- Many states like Arkansas have passed numerous laws regulating PBMs and requiring various levels of disclosure including pharmacy reimbursement and manufacturer rebate revenue.

Reference Based Pricing

- EBRx commented that Segal recommended “Removal of reference-based pricing in order to attract large PBM bidders.”
 - Segal clarifies this statement that in our experience with other plans, these programs are difficult to operate and communicate to patients. We would recommend to allow the program to be optional in a RFP.
 - We are also concerned that this shifts cost to members who may not be aware of lower cost alternatives.
 - We acknowledge that a concern may be that removing the reference based pricing program may lead to increased plan cost; however, this will lower member cost and will not impact pharmacy reimbursement for these drugs.

Overall – Recommendation Market Program

- In general there is no harm in evaluating what is available in the Market
- A best-in-class RFP for EBD would include, for example:
 - Your custom formulary and clinical rules
 - Reimbursement requirements for pharmacies
 - Transparency and audit rights
 - Your plan design
 - Termination rights
 - Regular market check provisions
 - Financial and performance guarantees
 - Well defined terms in the RFP to become part of a contract
- All PBMs and PBM combinations would be evaluated to determine what is in the best interest of the state.
- We would recommend a diverse group to provide feedback on RFP development and evaluation.