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Evidence-Based Prescription Drug Program (EBRx)

Overview of services provided to the Employee Benefits Division (EBD)

September 2021

UAMS
College of Pharmacy

Evidence-Based Prescription Drug Program (EBRx)

EBRx was established by the UAMS College of Pharmacy in 2004 and participates in a collaborative partnership with the following Arkansas government health plans:

- Employee Benefits Division (EBD) – State Employees / Public School Employees
- Arkansas State University
- Arkansas State Police
- University of Arkansas System
- Arkansas Municipal League, including its Workers Comp plan
- Arkansas Public Employee Claims Division (State Workers Compensation Program)

The Partnership

- Prior to 2016, EBD employed one of the “Big 3” PBMs and experienced, firsthand, the characteristics of the traditional PBM model which are well-known for:
  - Lack of transparency
  - Exercising control of the Plan’s benefit without the Plan’s knowledge
  - Covering high-cost/low-value drugs for rebate and fulfilment purposes at the expense of the Plan and its beneficiaries
  - Unfair and egregious pharmacy reimbursement practices
  - The basis for anti-PBM legislation sponsored by the Arkansas General Assembly
  - Findings in recent Arkansas Legislative Audit report related to PBMs managing Arkansas state business
- In 2016, the management of EBD’s pharmacy benefit was reshaped to establish local control, oversight and accountability of the Plan. The restructuring also served to dismantle the traditional PBM model responsible for the issues listed above.
- MedImpact, through an RFP, was awarded a contract to provide claims processing and pharmacy network.
- EBRx, through UAMS College of Pharmacy clinical faculty, conducts all drug reviews, provides drug coverage policy recommendations to EBD’s Drug Utilization and Evaluation Committee (DUEC) and Board, authors and enforces EBD’s drug coverage policies, and establishes and maintains EBD’s drug formulary.
- Separately, EBRx manages EBD’s rebate program which is aligned with EBD’s drug formulary. Clinical structure of the formulary is established before rebate contracts are pursued.
- EBRx works with MedImpact to ensure EBD’s pharmacy benefit is set up and functioning properly

EBRx Management Philosophy

- Evidence-based review of drugs to be covered by the Plan
  - From a risk management perspective, this should be the first step in establishing the Plan's drug coverage strategy
  - FDA's bar is relatively low for approving drugs
  - No information is accepted from drug manufacturers in the process
- Closed formulary
  - Drugs are automatically excluded until the Plan adds to coverage
  - The traditional approach is an open formulary with exceptions managed on the back end.
- Drug Coverage Policies / prior authorization criteria supported by peer-reviewed, published evidence
  - Referenced in Act 97
- Generic Drug Coverage Policies – appropriate member financial incentives AND pharmacy reimbursement policies
- Rebate strategy driven by the evidence-based formulary and drug coverage policies rather than the reverse.
  - 100% of rebates and savings passed directly to EBD. Beyond the per-member-per-month administrative fee, EBRx retains no other revenue.
- Other approaches to reduce the Plan's financial risk
  - Reference-based pricing program – incentivizes generic drug usage. Projected annualized savings of $20 million when implemented in 2012
  - Specialty Drug Coupon/Patient Assistance Program – EBD and its beneficiaries realize up-front savings
    - Program is generating an additional $15 million in annual savings to EBD with little to no out-of-pocket cost to the patient
    - EBRx referenced in Act 965

Concerns with Segal's Pharmacy Recommendations

- Overall recommendations promote the larger PBMs
  - "The larger the PBM the larger the rebate."
  - As stated before, the incentives of the larger PBMs do not generally align with our state's pharmacy benefit management philosophy
- Projection of significant rebate revenue in the absence of:
  - EBD's actual claims experience evaluation
  - Drug coverage policies evaluation
  - Consideration of EBD's excluded drugs
- Removal of reference-based pricing in order to attract large PBM bidders.
  - According to Segal, "removing RBP may increase plan cost"
- Exclusive/Limited specialty pharmacy network – likely shifting most specialty drugs outside of Arkansas
  - The current specialty pharmacy network approach is working well for EBD
  - The current $15 million in annual savings through the Specialty Drug Coupon/Patient Assistance program is a direct result of the local relationship
- Pharmacy reimbursement and Rebate guarantees – such guarantees shift control of the Plan to the PBM
  - 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."

State of Arkansas
Rx Cost Comparison vs. Segal Benchmarks
(Segal's report presented to ALC Executive Subcommittee on July 22, 2021)

PMPM (Calendar Year 2020)			
	Arkansas (EBD)	**Segal Clients**	**State Relative to Segal Sample**
Paid Claims PMPM	$83	$104	- 20%
Rebate Credit	13% offset	25% offset	12% under performance
Net Plan Costs	$72	$78	$6 lower than sample

Note: A $6.00 increase in the Net Plan Cost Per-Member-Per-Month (PMPM) to EBD amounts to an additional $11 million in annual spend.

Reference-Based Pricing Illustration

Public Entity Benchmark

Report Period 1/1/2020 – 12/31/2020 (Source: MedImpact Healthcare Systems, Inc.)

Client	Plan Paid Per-Member-Per-Month (PMPM)
EBD	$82.92
University of Arkansas System	$87.76
Client 4	$112.71
Client 3	$113.98
Client 2	$122.93
Client 1	$170.48

The above benchmark report provides a summary of the financial performance of six (6) public entity / state government clients of MedImpact for CY2020. Clients 1 – 4 represent clients in the South, Southeast, Mountain state, and Southwest regions of the United States.