

DRUG SPEND MANAGEMENT



An Employer's Guide to Transparent, High-Quality,
Low-Cost Pharmacy Benefit Contracting,
Administration, and Management



www.validationinstitute.com

The cost of prescription drugs has increased rapidly over the years, making it a huge cost burden for employers. According to a 2020 KFF report, the average employer cost for prescription drugs is \$1,200 per person annually. Additionally, while only about 2% of the population uses specialty drugs, they contribute to 51% of the total pharmacy spend¹.

These cost trends are expected to continue – at a pace more rapid than the rate of inflation – and one of the ways employers can combat these shocking price increases is by partnering with brokers, benefits consultants, and PBMs who are able to implement a value-driven, outcomes-based approach.

With recent legislations to promote transparency in effect (such as the Consolidated Appropriations Act), employers are in a position to act on solving the drug spend crisis the nation is facing today by adopting innovative models that can truly result in cost savings and improved health outcomes.

It is no surprise that the prescription drug supply chain is complex. However, the healthcare industry is now seeing the advent of several innovative, value-based PBMs and pharmacy solutions that can maximize efficiencies, cut costs, and put the patient first.

This buyer's guide outlines key considerations and important questions employers must ask their partners (brokers, PBMs, vendors, etc.) about smart, optimal drug spend management. This guide also features a new crop of transparent, pass-through PBMs whose contracts and outcomes have been reviewed by Validation Institute. These companies are so confident in their results that they put themselves through independent review.

We invite you to explore new ways to manage your drug spending and welcome your feedback.

Benny DiCecca

Benny DiCecca
President and CEO
Validation Institute



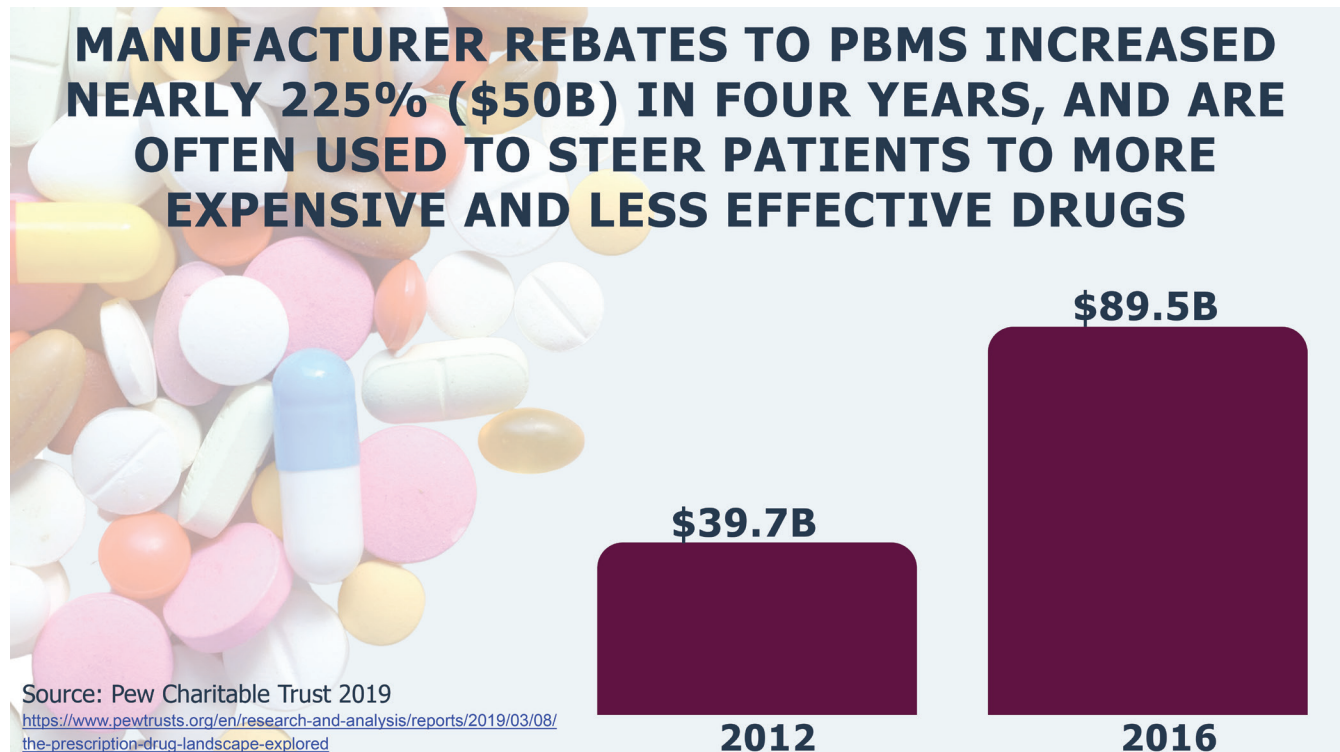
**We invite you to
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¹Evernoth Book of Business 2021.



PBM Stats That Make You Think

MANUFACTURER REBATES TO PBMS INCREASED NEARLY 225% (\$50B) IN FOUR YEARS, AND ARE OFTEN USED TO STEER PATIENTS TO MORE EXPENSIVE AND LESS EFFECTIVE DRUGS



46%

OF EVERY PRESCRIPTION DOLLAR GOES TO SOMEONE WHO DIDN'T MAKE THE DRUG: INSURERS, HOSPITALS, PBMS & OTHERS

Source: Berkeley Research Group 2020
<https://www.thinkbrg.com/insights/news/new-analysis-finds-nearly-50-of-brand-medicine-spending-goes-to-the-supply-chain-and-others/>



KEY CONSIDERATIONS FOR AN EFFECTIVE PHARMACY BENEFIT MANAGEMENT AND ADMINISTRATION STRATEGY:



A value-driven, transparent partnership with PBMs, benefits consultants, and TPAs



A thorough reporting process to comply with the CAA and help meet fiduciary obligations



A clean, simple, and concise employer-PBM agreement that meets fiduciary standards



A partnership with a PBM that does not use "spread pricing," passes rebates to employers, charges one administrative fee, guarantees savings, and has robust reporting capabilities



Impact of the CAA (Consolidated Appropriations Act):

CAA REQUIRES PLAN SPONSORS TO MEET SPECIFIC REPORTING CRITERIA.

As a result, employers will need additional data from their PBM and TPA.

Plan sponsors must report to the federal government on the following by December 27, 2022:



General information regarding the plan or coverage



Enrollment and premium information, including average monthly premiums paid by employees and by employers



Total health care spending, broken down by type of cost (hospital care; primary care; specialty care; prescription drugs; and other medical costs, including wellness services), including prescription drug spending by enrollees and by employers and issuers



The 50 most frequently dispensed brand prescription drugs



The 50 costliest prescription drugs by total annual spend



The 50 prescription drugs with the greatest increase in plan costs from the previous year



Prescription drug rebates, fees, and other remuneration paid by drug manufacturers to the plan or issuer in each therapeutic class of drugs, as well as for each of the 25 drugs that had the highest amount of rebates



The impact of prescription drug rebates, fees, and other remuneration on premiums and out-of-pocket costs



What do these reporting requirements mean for plan sponsors?

QUESTIONS TO ASK YOUR PBM:



6

Technology and Reporting

- Do I have access to claims information, rebates, fees, and other forms of remuneration to meet my fiduciary responsibility?
- Can you confirm you (and your service providers) will provide a detailed description of services and an itemized list of all direct and indirect compensation you expect to receive from the plan sponsor?
- How does your platform ensure accountability and transparency?



What do these reporting requirements mean for plan sponsors?

Value-Based Approach

- How do you identify and remove wasteful drugs?
- Can we get a refund on drugs that don't work? If yes, how?
- Do you provide 100% pass-through of pharma revenue? How do you show drug-level rebate reporting?
- What type of value-based services do you offer? Do you have value-based drugs that focus on outcomes?

EMR Integration

- Can you integrate directly into a provider's EMR to acquire real-time data on efficacy and adherence?
- What functionality/capabilities do you have to determine the efficacy of a drug?



QUESTIONS TO ASK YOUR BROKER



- How will you assist me in meeting my fiduciary obligation?
- Can you confirm you (and your service providers) can disclose all direct and indirect compensation in order to comply with the CAA?
- Are you able to perform a disruption analysis to evaluate a PBM, the cost of drugs, copays, rebates, etc.?
- Are you able to conduct business in a “transparent” manner? What does that mean to you?
- Do you work with pass-through PBMs?



The RFP: Key ingredients to choose the right partner



Create a simple, clean RFP that puts the employer's fiduciary responsibility as the primary focus



Move away from a traditional PBM evaluation model that focuses on discounts and rebates (this model will predominantly favor the PBM and not the employer/plan sponsor) to a transparent model that discloses fees and net costs, prioritizes outcomes, and considers the efficacy of the drug



Make sure the RFP requires responses to questions that focus on what the employer will be spending on specialty and non-specialty drugs such as:

What is the anticipated net cost?

How do you address trend inflation? Are there pricing guarantees? What pricing model is used?

Can you guarantee that patients will always use the lowest-costing effective drug?

What are the drugs listed in the formulary?

What rebates are anticipated?



Potential Benefits of working with a Pass-Through, Transparent PBM (Compared to Traditional Model PBMs):

Reduced Costs



Greater Accountability



Clinical and Financial Goal Alignment



Full Disclosure of Total Spend



Elimination of Wasteful Spend on Drugs



Refer to pages 11-19 to learn more about pharmacy benefit management services and solution providers whose contracts meet Validation Institute standards for transparency, lower costs for plan sponsors, offer savings guarantees, and eliminate any hidden fees to ensure the employer is in control of their pharmacy spend.



Validation Review Process

Validation Institute has a team of epidemiologists and statisticians who review each program. The team focuses on three components:

1. Evidence from published literature that a similar intervention had similar results
2. The reliability and credibility of the data sources
3. The rigor of the approach to calculating results

To achieve validation, the program has to satisfy each of these components.

VI's team then summarizes the review into a report which is publicly available. Details of VI's review are available with the program's permission.

Validation Types:



Savings: A product/solution has produced and replicated a lower cost for healthcare overall, or a specific component of healthcare, per case/per participant. Validation Institute validates an actual net reduction of healthcare spend, including the cost of a provider



Outcomes: A product/solution has measurably improved an outcome of importance, but one that can't readily be translated into net savings. This validation is of a reduction of healthcare spend, but not necessarily net savings including the cost of the provider



Contractual Integrity: A vendor is willing to put a part of their fees "at risk." Validation Institute authenticates the vendor's contract language for putting themselves at risk for outcomes, savings, or both



Metrics: A claim is made that, with sourced, overridable assumptions linked to peer-reviewed or government sources, the intervention in question would save money or improve outcomes



Validated Rx Programs



VALIDATION TYPE: Contractual Integrity

About



Capital Rx is built around the mission of changing the way prescription drugs are priced and patients are serviced

Capital Rx executes its mission through its Clearinghouse Model® – the first equitable framework for drug pricing

Capital Rx's enterprise pharmacy platform, JUDI™, connects every aspect of the pharmacy ecosystem in one platform, enabling patient engagement, and increasing efficiency to achieve the highest standards of clinical care

Validation Claim



The Capital Rx contract provides:

NADAC based pricing model, which reflects actual national paid costs of prescriptions instead of AWP based model

Eliminates need for brand, generic, MAC or specialty lists

Offers claim-level price accountability with a single price ledger. This means clients can see the "buy & sell side" (835s) with all drugs included in the financial true-up for audit purposes

No spread taken on any drugs, which ensures the same ingredient costs at all pharmacies across the country

No dispensing assets owned – leverage marketplace competition

100% pass-through of pharma revenue, fully verified and auditable, drug level rebate reporting to support better plan management decisions

Attestation by Capital Rx's Chief Financial Officer that the contract discloses all of the revenue received by Capital Rx

Findings



Capital Rx's model contract submitted to Validation Institute in May 2022 meets the standards for transparency

To read full validation report, visit



Validated Rx Programs



VALIDATION TYPE: Contractual Integrity

About

DisclosedRx's vision is that truthfulness and innovation will drive greater access to prescription medications for their members at a lower net cost to their client, as well as make them the easiest PBM to partner with

Validation Claim

DisclosedRx credits all rebates and supply chain credits to the payers/ employers and charges only one administrative fee, so payers/ employers will have clear data about their benefit and lower costs

Findings

DisclosedRx met the standards for the model transparent contract



To read full validation report, visit



VALIDATION TYPE: Savings

Validation Claim

Agile Channel Management program applies both drug manufacturer copay and patient assistance program discounts to lower the plan's expenses



DisclosedRx also uses international sources for certain drugs to deliver a lower cost. Together, these programs reduced a plan's costs by 23% in a six-month period

Findings

This table summarizes the three elements of the Agile Channel Management program and the impact on the plan's expenses for a six-month period.

	Without Program	With Program	Savings
Copay Cards	\$447,221	\$264,372	\$182,849
International Sourcing	\$87,278	\$62,082	\$25,197
Patient Assistance Programs	\$153,588	\$42,118	\$111,469
Total Savings			\$319,515
Total Plan Cost			\$1,370,960
Savings			23%

To read full validation report, visit



Validated Rx Programs

Drex
An AMPS Company

VALIDATION TYPE: Savings

About



Drex is a non-traditional pharmacy benefits manager (PBM) that helps save money at the pharmacy with fair, honest pricing

Members are granted access to a premier, nationwide network of over 65,000 pharmacies, including major national chains as well as local independent pharmacies

Members can compare prescription rates from pharmacy to pharmacy, track prescription history, and make informed choices about their wellness

Validation Claim



Drex gives plans direct contract pricing with pharmacies and eliminates hidden fees from the process thereby enabling payers, employers, and consumers to reduce their prescription drug spend

Findings

↓ **9.36%**

Overall, the Drex contract cost the employer 9.36% less

The employer's expense for the 2,226 pharmacy claims with its previous PBM was \$185,724

For the same drugs and days' supply, the employer paid \$168,335 under the Drex contract

Overall, the Drex contract cost the employer 9.36% less. Savings on individual claims ranged from 95% to -670% (additional cost)

More than 75% of the claims that incurred additional costs were \$25 or less. In a drug-by-drug comparison, Drex's net costs were lower than the employer had previously paid

To read full validation report, visit



Validated Rx Programs



VALIDATION TYPE: Savings

About



EmpiRx manages pharmacy benefits and bears some of the risk for achieving cost savings

The EmpiRx program uses data from the health plan to find patients whose medication needs can be met at a lower cost

High-cost patients and chronic disease patients are reviewed

EmpiRx's pharmacists reach out to the prescriber to discuss the new medication approach and to coordinate the change with the patient

Validation Claim

EmpiRx clients have decreases in pharmacy costs year after year

Findings

EmpiRx clients' PMPM costs decreased by 9% from 2018 to 2019

While United States employers' pharmacy expenses rose by 5% in 2020, (Cox, Amin, & Kamal, 2021), EmpiRx's clients had a decrease of 7%, outperforming the market by 12%



Year	Total Costs	Member Months	PMPM	% Change
2018	\$4,912,817	60,964	\$80.59	
2019	\$5,133,937	70,234	\$73.10	-9.29%
2020	\$4,982,529	73,439	\$67.85	-7.18%

To read full validation report, visit



Validated Rx Programs



VALIDATION TYPE: Metrics

Validation Claim

EmpiRx uses claims data to identify patients whose medication can be optimized at a lower cost while maintaining or improving quality

Findings



The per member per month (PMPM) spending was \$90.08 from January through August of 2017 with the previous pharmacy benefit manager the employer used

For the period January through August 2018 under EmpiRx's program, the PMPM was \$71.33. For the nine-month periods, the client spent 21% less PMPM on pharmacy costs

To read full validation report, visit



" The Validation Institute and its Health Value Awards Program are an essential source of recognition and validated new ideas and solutions for our program. With any new vendors or products, we ask them either to get validated by the Validation Institute or explain why validation is not necessary. Validation is low cost, low risk, and as sensible as getting audited financials. All employers should highly encourage their vendors to be validated to save all of us a lot of time and money. The last thing you want to do is go through the heavy lift of a full implementation with the wrong partner."

– Harris Rosen, CEO of Rosen Hotels and Resorts



Validated Rx Programs



VALIDATION TYPE: Savings

About



Largest consumer governed nonprofit health care organization in the nation - serving more than 1.8 million medical and dental health plan members nationwide

Includes a multi-specialty group practice of more than 1,800 physicians that serves more than 1.2 million patients

Validation Claim

HealthPartners-administered pharmacy cost is lower than industry benchmarks

Findings



HealthPartners' risk adjusted pharmacy cost was 20% lower for Midwest members than the MarketScan benchmark for the same region

Market Segment	% that HealthPartners is lower than benchmark
Midwest	20.3%
Minnesota	19.1%
Wisconsin	23.4%

To read full validation report, visit



VALIDATION TYPE: Contractual Integrity

Validation Claim

HealthPartners' Rx Revealed Program contract meets Validation Institute standards for transparency

Findings

HealthPartners' contract as revised in September 2021 meets Validation Institute standards for transparent pharmacy benefit management



The model contract standards address definitions of terms, access to data, and payment arrangements. Each contract provision was assessed for its adherence to transparency principles

To read full validation report, visit



Validated Rx Programs



VALIDATION TYPE: Savings

About



Prescriptive Health is a healthcare technology company delivering solutions that empower consumers. Prescriptive's secure, mobile-first products connect employers, consumers, pharmacists and prescribers, providing people with the information they need to make informed decisions and take better control of their health. Prescriptive Health is putting an end to the nation's prescription drug debacle by empowering consumers to take charge of their medication costs with the world's first prescription intelligence platform. Prescriptive is eliminating middlemen from the drug market by delivering to consumers a simple, mobile experience that integrates in real-time with their benefit plans and healthcare providers.

Validation Claim

Employers and plans who use Prescriptive Health for their pharmacy benefits have lower PMPM pharmacy benefit costs than those using traditional PBM's.

Findings

One employer group's pharmacy costs were tracked for two years. The first year was a 12-month period that preceded the employer enrolling with Prescriptive: February 2018 through March 2019. The comparison year was the employer's second 12-month period with Prescriptive: August 2021 through July 2022.

	2018 - 2019	2021 - 2022
Total Rx Costs	\$568,846	\$490,950
Member months	3,816	3,666
Rebate PMPM est.	\$30.00	N/A
Rebates	(35,000)	(43,009)
Net PMPM	\$139.90	\$122.19

To read full validation report, visit



Validated Rx Programs



VALIDATION TYPE: Contractual Integrity

About



US-RX Care provides fiduciary pharmacy risk management to self-insured employers with a singular focus on balancing cost and quality care in the best interest of plan sponsors and their plan participants

US-RX Care prioritizes service and quality of care with no financial conflict of interest, no hidden profits and unrestricted transparency

Validation Claim

US-Rx's model contract meets Validation Institute standards for transparency. These standards include definitions of terms, client access to data, and guarantees

Findings



US Rx's model contract submitted to Validation Institute in August 2022 meets the standards for transparency

To read full validation report, visit



VALIDATION TYPE: Savings

Validation Claim

US-Rx Care per member per month cost for pharmacy services was lower than the traditional Pharmacy Benefit Manager costs

Findings

US-RX Care's per member per month costs were 35% lower (or \$34.09)

To read full validation report, visit



Validated Rx Programs



VALIDATION TYPE: Savings

About



WithMe Health (“WithMe” for short) is a modern transparent & pass-through PBM, differentiated by how it:

Aligns incentives with plan sponsors by using a single, all-inclusive admin fee that covers all utilization management, clinical, and cost savings programs

Delivers a highly proactive member engagement model enabled by its pharmacist-led Medication Guide Team and proprietary CRM technology



Offers clients confidence and control with PMPM savings guarantees

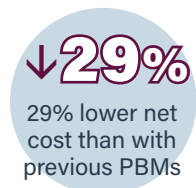
WithMe’s mission is to create a significantly better medication experience for all its members, putting their health and needs first as they navigate the complexity of medications

Validation Claim

WithMe Health delivers lower per member per month (PMPM) costs for pharmacy benefits compared to traditional Pharmacy Benefit Managers (PBMs)

Findings

WithMe’s final 2021 net cost is \$27.10 PMPM or 29% lower than the net cost with the previous traditional PBMs



To read full validation report, visit



About Validation Institute

Validation Institute is dedicated to providing unbiased, data-driven insights on health care solutions and services by validating performance claims made by solution providers and educating purchasers to drive transparency in the marketplace.

By validating performance claims, Validation Institute guides purchasers in choosing the right solution providers that meet the needs of their population while improving outcomes, strengthening accountability, and saving costs.

GET INVOLVED:

If you are interested in learning more about the validation process and working with validated vendors, connect with our team.

800-647-7600 | viprocess@validationinstitute.com



ValidationInstitute

To view validated programs and access validation reports,
visit www.validationinstitute.com/validated-programs/