

# Addressing PBM Misalignment Employers' Forum of Indiana

August 31, 2023

# Highlights of PBM Playbook

- Pharmacy benefits opaque, convoluted and misaligned
- Flawed contracting model
- Concerns about the “fox guarding the hen house.”
- Issues happening with much greater frequency and magnitude than any of us appreciate.

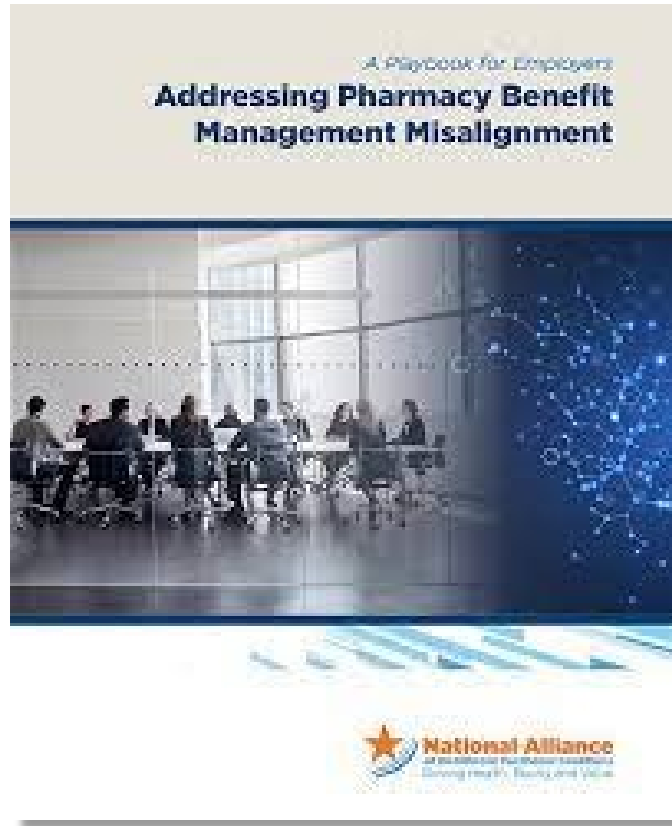
Goal – Build a more credible and aligned industry

One that is more trustworthy, responsive and sustainable in the eyes of purchasers and employees

# Addressing PBM Misalignment

## Key Content

- Role of Fiduciary in PBM Management
- Overview of the General Landscape
  - Key areas of concern
  - Drivers of drug value
- Economics & Conflicts of Pharmacy Benefit Management
  - Failures in the PBM value chain
  - Flaws in the current PBM selection process
  - Managing conflicts in advisor selection
- PBM principles for Contracting & Governance
- Purchaser Recommendations



## Inserts

- Potential Misuse of P&T Committees
- Standard Industry Pricing: A fundamental flaw in the market
- Medical Drugs
- 340B Drugs
- Impact on Biosimilars

## Appendices

- Spectrum of PBM Terms & Models
- Top 10 PBM Concerns
- Sample Questionnaire for Pharmacy Benefit Consultant
- “Fiduciary-like” Standards & Terms
- Sample Contract Language
- Policy Advocacy (EmployersRx)
- References and Resources

# Role of Fiduciary in Pharmacy Benefit Management

- Health plan sponsors have fiduciary obligation to disperse plan assets in a prudent manner for the exclusive benefit of plan participants and beneficiaries
- Fiduciaries are required to be experts in the subject matter entrusted to them, or to become educated by subject matter experts
- Prudence standard for fiduciaries
  - It is a prudent expert standard, not a prudent layperson standard
  - A good faith effort is not enough

# Top 10 Pharmacy Benefit Management Concerns

## Identified by an Industry Advisory Committee and Purchasers

- Promotion of higher-price drugs when lower-price drugs are available
- Coverage and/or preference of a brand when a generic or biosimilar is available
- Coverage of specialty drugs for circumstances that clinical evidence does not support
- Automated approval process for prior authorizations causing rates to soar over 90%
- Redefining generics as brand drugs or vice-versa to manipulate guaranteed pricing discounts
- Systematic waste including refilling too soon or automatic 90-day refill
- Coverage of high-cost, low-value drugs (eg drugs that have less expensive over-the-counter alternatives)
- Replacing drugs eligible for rebates with 340B drugs not eligible for rebates, without passing through lower price of 340B drugs
- Narrow definition of “rebates” which allows the PBM to “pocket” recharacterized manufacturer revenue
- Being “held hostage” on all PBM contract terms, financial guarantees, and provisions regardless of magnitude of desired benefit changes

# Purchaser Strategic Recommendations

## Work with Partners who Work for You

- Independent & Qualified Advisor(s)
- Require fiduciary alignment
- Transparency, Pass through & Commitment to value (to plan/plan members)
- Elimination of indirect revenue streams

## Evaluate and Manage with Balanced Scorecard

- Net Cost by Drug Class (includes unit price net of any offsets & drug mix)
- Waste and Appropriateness Management
- Focus on Value, Outcomes and Total Cost of Care
- Member Affordability, Adherence, Equity and Experience

## Own the Relationship

- Claims data ownership
- Broad audit rights of PBM
- Contract Development - Definition of terms
- Formulary and Utilization Management

# Questions?

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