

HEALTH REFORM WEEK

Business News and Strategies for Health Plans, Pharma, Hospitals and Providers

PBMs Expect Gains as Reform Leads to More Management of Broader Population

Pharmacy benefit managers (PBMs) likely will be winners under the federal health reform law, making gains from Medicaid's expansion and the coverage of more uninsured Americans through health insurance exchanges, PBMs and industry consultants tell *HRW*. In short, more individuals will have health insurance coverage giving them access to medications, they explain.

"I think reform is leading inevitably to more management of a broader population," which will "absolutely" require health plan sponsors to rely on PBMs' array of management tools, Mark Merritt, president and CEO of the Pharmaceutical Care Management Association (PCMA), which represents PBMs, tells *HRW*. "When you look at the need for massive expansion of drug benefits that need to be high quality and low cost, that's a good recipe for PBMs."

The bottom line? George Van Antwerp, general manager of pharmacy solutions for Silverlink Communications, Inc., tells *HRW* that reform ultimately could change the PBM's role — allowing PBMs to become "more involved in managing the health outcome of the patient versus the transactional event of filling the prescription."

Van Antwerp asserts that PBMs are trying to move upstream out of the claims-processing world. He says the reform law, by focusing on wellness initiatives, supports PBMs' efforts to "become more of a health-management company, more engaged in adherence" to drug treatment regimens.

PBMs and industry consultants cite several themes under reform that they consider important to their business. Among them:

◆ **The Medicaid program's growth.** PCMA's Merritt describes Medicaid, set for expansion under reform, as "one of the last unmanaged parts of American pharmacy — and there are a lot of efficiencies to be generated there." He describes Medicaid as "the starting point" for PBMs, to be followed in 2014 by an influx of uninsured Americans going into exchanges for subsidized coverage — where pharmacy benefits will be managed largely by PBMs. Merritt says PBMs, which he asserts have used management tools effectively under similar

circumstances for Medicare Part D, are now planning for the still-undefined essential benefits in exchanges.

Van Antwerp, a former PBM executive who now works with PBM clients in drug regimen compliance programs for consumers, says Medicaid's expansion will require PBMs to figure out how to engage those beneficiaries. He describes this as a very different process from engaging a commercial customer. For example, he says, low-income people are likelier to start on a brand medication, so they need help in understanding generics.

◆ **Uninsured coverage and exchanges.** Van Antwerp describes the shift of roughly 34 million Americans from uninsured to insured status through exchanges as "a big 'green field' opportunity" for PBMs' growth.

Obviously, cost affects a person's likelihood of filling and refilling medications, he explains, so giving coverage to uninsured Americans and lowering their out-of-pocket spending means that they will be more likely to get prescriptions.

Don Amorosi, chief operating officer at Prime Therapeutics, a Minnesota-based PBM owned by a dozen Blue Cross and Blue Shield plans, asserts that much of what will be seen with exchanges in 2014 will be similar to the initial stages of Medicare's prescription drug program in 2006: consumers being able to select individual plans and to price-shop online. "So if you're capable in the Medicare Part D space, you probably have a leg up on exchanges in 2014," he says of PBMs.

◆ **PBM transparency requirements.** PBMs make money by administering the prescription benefit portion of health plans, including processing and paying the drug claims of plan members. And the vendors get rebates from drug makers. PBMs have been accused of putting their own profits and the interests of drug manufacturers ahead of the people they are supposed to serve. The reform law requires PBMs to disclose a wealth of information, including the rebates obtained from manufacturers in return for placing drugs in preferred spots on formularies, and differences between the PBMs' costs for prescriptions filled and what they bill client plans.

Many PBMs have focused on becoming more transparent for at least the past few years, says consultant Sean Brandle, vice president and national pharmacy practice leader at The Segal Co., which works with PBMs to establish coverage and pricing on behalf of its plan-sponsor clients. "Whether or not they've succeeded depends on who you talk to," he adds.

Under reform, "the most important thing from a plan sponsor's perspective is the whole financial disclosure/transparency piece of it," he asserts. "They may be able to see a little more of the internal mechanics of the PBM," which he likens to knowing the invoice price of a car.

◆ **Preventive services.** The focus of reform on prevention and wellness is potentially advantageous for PBMs that own or have an interest in retail pharmacies, Brandle says. The consensus is that reform "is certainly a win for PBMs in general," he says, "and it could be a bigger win for PBMs with retail pharmacies because of the inclusion of preventative and wellness benefits — and they have the ability to provide those benefits in their [retail pharmacy] clinics."

◆ **Medical loss ratio calculations and potential PBM outsourcing.** How the MLR is defined by the federal government could affect a payer's decision on whether to outsource the PBM function, Van Antwerp says. Depending on what costs are allocated to the MLR medical-expense numerator, he says, the question may

become whether it is more efficient to outsource PBM functions "and more fully account for direct and indirect costs." He explains that some pharmacy overhead might not count as pharmacy costs under the MLR if the plan owns the PBM, but such costs may count if the plan outsources the function.

Each PBM will have its own approach to meeting reform challenges, PCMA's Merritt says.

Prime Therapeutics puts reform challenges into three categories, starting with near-term compliance matters it already has met. As an example, spokesperson Sheila Thelemann says the PBM made recommendations to its client plans on how to proceed with the eventual elimination of overall and annual benefit limits.

The PBM, while waiting for final federal guidance, also is trying to interpret information now addressed at physicians and hospitals in an effort to predict potential future web reporting requirements for PBMs set to take effect in January 2012, she says. Over the longer term, Prime Therapeutics is preparing to compete in the individual market through exchanges starting in 2014: evaluating and developing plan options, looking at direct-to-consumer education and engagement and focusing on a simplified purchasing process.

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