



What questions should I ask about my PBM to make sure they are looking out for my interests?

You hire a Pharmacy Benefit Manager (PBM) to provide effective cost management of your pharmacy benefit program. Isn't it time for you to ask some serious questions regarding performance and the way your PBM operates like:

- 1. What percentage of the rebate dollars is passed along to your medical plan rather than being retained by the PBM, carrier or administrator?***

The actual amount is never disclosed to the plan and the percentage will depend upon the sophistication and size of the health plan. By the time everyone else gets a piece of the total rebate, the health plan is often left with next to nothing.

- 2. Does your PBM prefer the most cost effective brand drugs in the formulary to keep your costs at the lowest level?***

PBMs are paid a percentage of what they collect in rebates. If the preferred drugs are the more expensive drugs, the PBM retains more revenue. The problem is that PBMs are attempting to maximize their rebate revenue at the health plan's expense.

A good example of this concerns the esophageal reflux category "proton pump inhibitors":

Brand Drug	AWP Price	Rebate Required to Match Low Price Drug
Protonics	\$108.75	0%
Nexium	\$137.14	26%
Prilosec	\$138.44	27%
Prevacid	\$153.63	41%

In the above example, a 20% rebate through Protonics nets a lower rebate; but, even without a rebate, Protonics may be the most cost effective choice for the preferred brand drug formulary.

- 3. Does your PBM pass along the entire pharmacy network discount that it negotiates on your behalf, or does it retain some portion as revenue?***

PBMs negotiate with retail and mail order pharmacies for discounts based on AWP pricing; then, they pass along lesser discounts to their payer/clients. Some PBMs operate as drug re-packagers and establish their own AWP price list so that they can inflate their AWP discounts. Make sure you ask the PBM if they re-package and set their own AWP pricing.

- 4. Does your PBM make recommendations on how to reduce utilization and pricing to keep your expenses at the lowest level?***

Price, formulary and utilization are the three critical areas for managing a health plan's pharmacy benefit. Price is determined by the negotiated network terms. Plan-driven formularies should prefer the most cost effective drugs. Utilization can be managed through benefit design, along with appropriate utilization management and disease management programs. Your PBM should make recommendations in each of these areas for optimal cost management of your pharmacy benefit.

5. How much of the PBM's total revenue is associated with the administrative fees that you pay the PBM?

The administrative fees that you pay your PBM are not a significant source of the PBM's total revenue. These fees are kept low intentionally, to retain your business and enable the PBM to continue submitting your data for rebate, retained discounts and data wholesaling revenues. Just because the administrative fee is low, don't assume that your overall plan costs are as low as they should be.

6. Does your PBM share your group's pharmacy benefit utilization history?

Many PBMs do not share information for a number of reasons. PBMs submit this data to drug manufacturers to collect rebate dollars. PBMs also sell this information to drug manufacturers. By limiting the accessibility of this information, a PBM preserves its ability to maximize alternate sources of revenue. In the PBM's view, this pharmacy benefit utilization history belongs to the PBM, not the health plan.

7. Will your PBM provide data downloads to integrate your medical and pharmacy data for overall medical benefit planning?

Pharmacy data is integral to successfully manage the entire medical benefit plan. Many PBMs do not offer the health plan routine pharmacy data downloads so they can incorporate prescription information with the plan's medical data. Access to pharmacy data should support your business decisions and care management activities to improve outcomes.

8. Is your PBM publicly traded or owned by a major drug company or chain? Are you certain that your PBM balances your interests with the interests of its shareholders or owners?

Many large, publicly traded PBMs need to please many customers including the payer/client, shareholder and pharmaceutical manufacturers. To meet their shareholders' expectations, PBMs are motivated to increase their market share and pursue alternate sources of revenue through pharmaceutical manufacturers (i.e., rebates). By increasing these alternate revenue sources, PBMs are compromising the overall cost management of the health plan.

9. Does your PBM own the mail-order service? Are they using it in a cost effective manner?

There are three basic reasons why PBMs prefer the mail-order option:

- The PBM owns the mail-order operation; thus, it seeks referrals for its sister operation.
- The PBM intervenes in the prescription fulfillment process, suggesting therapeutic switches to preferred drugs through its owned mail-order operation; by doing so, the PBM increases its overall rebate revenues.
- The PBM utilizes mail order because it is appropriate for a member taking chronic or maintenance medications, which require ongoing usage in extended supply increments.

The PBM should only focus on mail order in the case of maintenance medications. Even though mail-order discounts are higher, mail order can be a more expensive option for the plan due to reduced copays, product waste from inappropriate use.

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It is important to note your PBM's performance relative to drug benefit cost trends. If the outcome is unacceptable, you should consider a different approach. Consider QCP Rx.