

HOW LOW CAN YOU GO? MANAGING SPECIALTY DRUGS, REDUCING OVERALL PHARMACY SPEND, AND UNRAVELING THE MYSTERY BEHIND PBMS



**THE
PHIA
GROUP**

EMPOWERING PLANS

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Contact PGCReferral for all your consulting needs!

Specialties:

- Plan drafting, review, analysis, custom amendments
- ACA compliance questions
- Network, provider, stop-loss, client dispute resolution
- ...and so much more

Features:

- Simple submission process
- Same-day quotes in most cases
- Average turnaround of 8 business days
- Flat, transparent fees
- No surprises



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PGCReferral: September's Most FAQ

- ACA Section 1557: Notice Requirements for significant communications
- IRS definition of legal spouse
- Common law marriage questions
- Termination of employer group health plan coverage: acquisition/sale agreement provisions



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New SBC Regulations!

- What: **New SBC Template!**
 - Changes include:
 - Improved member readability
 - Additional coverage example & Increased benefit detail
 - Enhanced explanation of deductibles and embedded OOP maximums
 - Nuances in instructions
- When: first day of open enrollment beginning on or after **4/1/17** or the first day of the first plan year beginning on or after 4/1/17.
- Where: **IN PDM!**
- Are you 200% positive that your SBCs are up to snuff?
If not, email **PGCReferral@phiagroup.com!**



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Breaking Case Law

Association of American Physicians and Surgeons v. Brown

- CA law prevents OON physicians from balance billing patients when those patients visit in-network facilities; limits them to collecting the in-network cost-sharing amount
- Requires plans to pay the greater of the average contracted rate (defined as the average rates paid by the plan for the same or similar services in the geographic region; or UCR) or 125% of Medicare
- Requires OON physicians to utilize (binding) alternative dispute resolution when they have claims disputes (they can still pursue other remedies at law).
- The plaintiffs are challenging the constitutionality of this law
 - Deprives providers of the fair market value of their services
 - Allowing disinterested parties to set rates
 - Will have a disparate effect on minorities because OON physicians will withdraw from those communities



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LINKEDIN & TWITTER CONTEST

Step 1. ~~Attend our webinar.~~

Step 2. Visit our LinkedIn or Twitter page, where you can find industry news, trends, hot topics, and other in-depth information about the self-funded industry..

Step 3. Post or tweet honest feedback about our webinar.

- On LinkedIn, tag “@The Phia Group”
- On Twitter, tag “@ThePhiaGroup”



Step 4. You’re entered to win **one free hour of consultative guidance!**

Check out our LinkedIn for news, updates, and more...



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OVERVIEW

- Trending & Spending
-  vs. 
- PBM Contracts
- Substitute, Supplement, Subtract

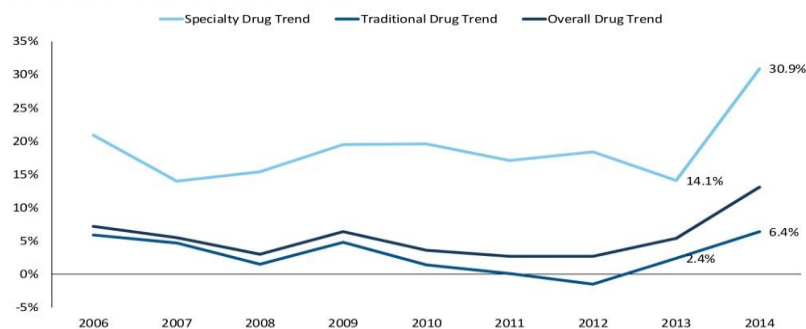


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TRENDING & SPENDING

Costly new specialty drugs are a major driver of increased health spending

Express Scripts drug spending growth trend by therapy class, 2006-2014



Source: Express Scripts 2014 Drug Trend Report and Year in Review. Available at <http://lab.express-scripts.com/drug-trend-report/> and <http://lab.express-scripts.com/drug-trend-report/introduction/year-in-review>



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TRENDING & SPENDING

According to **Time**, drug prices are so high because:

- Unlike elsewhere in the world, US drug manufacturers are able to set their own prices
- Flawed patent system enables “monopolies”
- Generic approval process takes too long
- State law is a barrier to lowering cost (for example, requiring specific patient consent for a generic)
- Unjustified pricing based on costs of R&D



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TRENDING & SPENDING

According to **TheBalance.com**, the costliest US drugs are:

- Soliris (up to \$440,000/year)
- Elaprase (over \$375,000/year)
- Naglazyme (over \$365,000/year)
- Cinryze (\$350,000/year)
- Folutyn (\$320,000/year)



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TRENDING & SPENDING

According to Ron Peck:

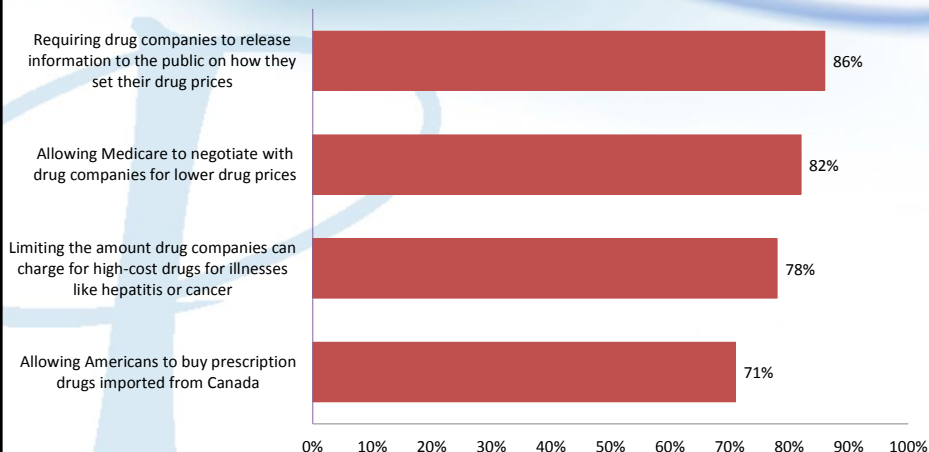
- “Industry experts have uniformly agreed that pharmacy costs are rising; increasing nearly **ten percent (10%) each year**, with a fairly certain projected “cost-trend-rate-increase” in 2016 already matching that prediction of 10% growth over the year prior. A 10% multiplier, applied year after year, may not scare you – until you learn that these drug costs already make up **25% of all healthcare expenses**. Indeed, a recent study revealed that large employers spent – on average – almost **a thousand dollars per covered life**, on pharmacy costs in 2014.”

Read Ron’s article, “A Dose of Reality,” at:
issuu.com/sipconline/docs/self-insurer_july_2016



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PUBLIC OPINION POLL



Source: Kaiser Family Foundation Health Tracking Poll (conducted Sept 14 – 20, 2016)



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VS.

**Hillary Clinton:**

- Proposed \$250/month cap on cost-sharing
- Rebate program for low-income Medicare beneficiaries
- Increased funding to Office of Generic Drugs to decrease approval backlog
- Reducing market exclusivity period for biologics
- Penalization of drug companies for unjustified increases
- FDA approval of advertisements

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VS.

**Donald Trump:**

- Importation of reliable but lower-cost drugs from overseas
- Promoting increased competition to bolster the marketplace
- Greater cost transparency across the board

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PBM CONTRACTS

Valuable services PBMs (sometimes) provide:

- Development of a formulary
- Access to quality drugs & steerage to generics
- Discounted rates
- Negotiation and administration of rebates
- Programs to improve health
- Minimum discount guarantees



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PBM CONTRACTS

Things to look out for:

- Confidentiality of manufacturer agreements
- Arbitrary or nontransparent MAC pricing
- Lack of ability to amend the formulary
- Prohibition on access alternative sources
- Lack of rebate transparency
- Spread pricing



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SUBSTITUTE

- Some ASOs: “My way or the highway”
- Transparent pricing & rebate administration
- Better PBMs may be hard to find, but they do exist
- Contact us to learn more...



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SUPPLEMENT

- Just like PPOs, some PBMs allow carve-outs...
- Different sources for specialty drugs
 - Getting drugs from Canada
 - PBM-plan advocacy and drug usage oversight
 - Hemophilia network
 - Pricing, educational, and administrative tools
- Contact us to learn more...



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SUBTRACT

Is PBM-free the way to be?

- Not using a PBM is similar to not using a PPO
 - Discounts are still possible...
- Direct contracts with pharmacies



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THANK YOU

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Join us for a free joint webinar with HCAA:
Tuesday, **November 15**, 2016 at 1:00pm EST
“The Good, the Bad, and the Naughty –
Ethics: Simple Mistakes vs. Breach”

The Phia Group’s December webinar:
Tuesday, **December 13**, 2016 at 1:00pm EST
“2017 Phia Forecast”

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