



San Joaquin Valley Insurance Authority Prescription Drug RFP Analysis July 5th, 2012

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PBM Information

- ❖ **Pharmacy Benefit Management (PBM)**
 - **Carve out pharmacy benefit**
 - **Typically manages only pharmacy benefits**
- ❖ **Data from Rx fills is rich with information (standard)**
- ❖ **Groups all Rx claims together for buying power**
- ❖ **Contracts with pharmaceutical companies for discounts**
- ❖ **Contracts with pharmacies for discounts**
- ❖ **Uses formulary to acquire rebates**
- ❖ **Big two- Caremark/CVS, Express Scripts/Medco have over 150 million lives, 75-80% of industry. Express Scripts Purchase of Medco (if approved) will create one large company of about 100 million lives, this will change the market. SXC (InformedRx) purchase of Catalyst will make them the third largest PBM.**
- ❖ **Approximately 55 total PBMs or PBM like companies.**



PBM Pricing Methodologies

- ❖ **Traditional**
 - PBM may or may not share all financial information
 - No administrative fees - more risk for PBM
 - Not Full Disclosure, but will offer disclosure to all necessary financials

- ❖ **Transparent**
 - PBM offers a traditional product but shares all financial information with client
 - Full Disclosure-up to a point. All areas of audit are available

- ❖ **Pass Through**
 - PBM passes through all discounts, rebates, rebate administrative fees, and any other monies they receive on behalf of the client
 - The PBM's only form of revenue for this type of model is the administrative fee which is usually high
 - High administrative fee equates to low risk for PBM
 - PBM usually underwrites the administrative fee to more than cover their risk
 - Requires Full Disclosure and total audit ability.



PBM Terminology

- ❖ **AWP - Average Wholesale Cost**
A benchmark Rx cost used to determine price and discounts
- ❖ **MAC - Maximum Allowable Cost**
A cost benchmark for determining the highest reimbursable amount for certain common generics
- ❖ **Dispensing Fee:** Amount a pharmacy will charge to fill an Rx
- ❖ **Rebate:** A post utilization discount, used with formularies
- ❖ **Administrative fee:** Fee charged by a PBM to provide services
- ❖ **Rebate Administrative Fee:** A fee charged by the PBM to the pharmaceutical manufacturer to manage rebate contracts
- ❖ **GFR - Generic Fill Rate:** Number of generic filled Rx's/total Rx's (%)
- ❖ **GSR - Generic Substitution Rate:** The number of generic Rx's filled/generic Rx's available (%)
- ❖ **Formulary:** List of drugs available for coverage
- ❖ **Co-payment:** Amount paid by member, either a flat dollar amount or % of cost
- ❖ **Preferred Formulary Drug:** A brand medication promoted by the PBM, usually Tier 2
- ❖ **Tiers:** Co-pay levels, usually:
 - Tier 1 = generic
 - Tier 2 = preferred brand
 - Tier 3 = non-preferred brand
 - Tier 4/5 = specialty or lifestyle



PBM Review

❖ 5 Vendors RFP's were received including current Vendor (Catalyst) contract.

7 bids and the current vendor contract (Catalyst) were reviewed for SJVIA

- **Catalyst (3)**
 - Traditional
 - Pass Through
 - Current-traditional
- **ESI/Medco (1)**
 - Traditional
- **U S Script (2)**
 - Traditional
 - Pass Through
- **Envision (1)**
 - Pass Through
- **Anthem(1)**
 - Pass Through



Methodology and Overview

- ❖ **Proposals scored in nine categories (1100 Points maximum)**
 - **Questionnaire response (200 Points)**
 - **Pricing (200 Points)**
 - **Re-pricing (100 Points)**
 - **Specialty Drugs- Top 30 drugs (100 Points)**
 - **Top 100 retail (100 Points)**
 - **Top 50 mail (100 Points)**
 - **MAC List (100 Points)**
 - **Miscellaneous (100 Points)**
 - **Customer view (100 points)**
 - **Proposals reviewed for best cost savings and discounts**
 - **Discounts under traditional and pass through models**
 - **Administrative fees**
 - **Capabilities**
 - **Retail and Mail systems**
 - **Specialty pharmacy options**
 - **Rebates**



PBM Questionnaire Scoring

- ❖ **Scoring based on 200 total points possible**
- ❖ **Points awarded**
 - 0 points- no answer or inadequate answer
 - 1 point- average or adequate response
 - 2 points- above average
 - 3 points- exceptional answer or weighted question
 - Weighting for SJVIA based on Discounts/Rebates, Cost Management Customer service, seamless implementation, and Client service
- ❖ **Provided insight into managing SJVIA pharmacy costs**
- ❖ **Total points based on the percentage each vendor had of the total possible points.**
- ❖ **275 total possible points (total of best score for each question)**
- ❖ **Total of 200 points for best score**
- ❖ **Each vendor was awarded points based on difference from best score**
 - i.e., if PBM A has the best score it is given 200 points, then PBM B which is 0.575% less on score would be given 198.83 and so on.



Scoring of RFP Questionnaire

Questionnaire Scoring

Rank	Points	%	% difference
U S Script Traditional	200.00	85.09%	0.00%
U S Script Pass Through	200.00	85.09%	0.00%
ExpressScripts Traditional	196.58	83.64%	1.71%
Envision Pass Through	195.73	83.27%	2.14%
Catalyst Traditional	192.31	81.82%	3.85%
Catalyst Pass Through	192.31	81.82%	3.85%
Anthem Pass Through	190.60	81.09%	4.70%



Analysis of Price Offers

- ❖ **Model with SJVIA one year actual 2011 pharmacy data. Tulare and Fresno Counties.**
- ❖ **RxCostView* proprietary analytics model used to evaluate price offers from each vendor**
- ❖ **Broken down by:**
 - **Retail and Mail brand Discount**
 - **Retail and Mail dispensing fee**
 - **Retail and Mail generic discount**
 - **Administrative fee retail**
 - **Administrative fee mail**
 - **Average cost per claim**
 - **1% AWP equivalents**
 - **Rebates guarantees retail and mail**

*RxCostView is proprietary RFP PBM price offer analytics software that uses the clients actual Rx data to determine cost and quality of both traditional and pass through price offers.



Analysis of Price offers

- ❖ Retail and Mail total claim costs determined
- ❖ All fees are added
- ❖ Total costs without rebates determined
- ❖ Rebates determined
- ❖ Total traditional costs with Rebates determined
- ❖ Again the best discount price vendor is given 100 points and the same formula used with the questionnaires is used to determine point totals for all other vendors and the same is done for the vendor with the lowest total price.
- ❖ Therefore 100 points is available for the best discount price vendor traditional or pass through and 100 points is available for lowest price vendor including rebates.
- ❖ 200 points total for discounts/Rebates pricing.



Discounts without rebates

RxCostView-Discounts

Rank	Points
ExpressScripts Traditional	100.00
U S Script Traditional	99.08
U S Script Pass Through	96.96
Catalyst Traditional	96.25
Catalyst Pass Through	96.23
Envision Pass Through	95.84
Anthem Pass Through	95.58



Discounts with rebates

RxCostView-with Rebates

Rank	Points
ExpressScripts Traditional	100.00
U S Script Traditional	97.65
U S Script Pass Through	95.35
Anthem Pass Through	94.52
Envision Pass Through	93.26
Catalyst Traditional	93.26
Catalyst Pass Through	93.23



Discounts-Combined

RxCostView-Combined

Rank	Points
Express Scripts Traditional	200.00
U S Script Traditional	196.73
U S Script Pass Through	192.31
Anthem Pass Through	190.10
Catalyst Traditional	189.51
Catalyst Pass Through	189.46
Envision Pass Through	189.10



Re-Price Model

- ❖ **All vendors were asked to re-price 12 months worth of SJVIA claims data claim detail provided to each vendor. All current price information was removed and all patient information de-identified.**
- ❖ **Re-price was based on claims having same date of fill, no rebates added, and no other changes made to keep the re-price method equal to all vendors**
- ❖ **All vendors did not come up with same numbers due to how the drugs are input into their systems. Usual and customary, zero based claims, specialty and compound Rx's are asked to be removed from totals.**
- ❖ **Total re-price claims file submitted by vendor was reviewed and balanced for an “apples to apples” comparison. Vendor re-pricing based on assumptions made by each vendor.**
- ❖ **Again the vendor with the best re-price received 100 points and each of the other vendors received a point total based on their rank**
- ❖ **Scoring based on average comparison to bell curve in market. Due to no control of what the vendor actually factors into analysis.**



Re-Price Model

Re-Pricing Model Costs

Name	Points
ExpressScripts Traditional	100.00
Catalyst Traditional	96.60
Anthem Pass Through	96.42
Envision Pass Through	96.21
Catalyst Pass Through	95.72
U S Script Traditional	89.54
U S Script Pass Through	85.00



Misc. review, Submitted info and website information

- ❖ Reviewed website
 - Educational capabilities
 - Rx Information, Network pharmacy locators and Mail Order re-order process.
- ❖ materials provided to GBS Pharmacy
- ❖ past information from vendor
- ❖ Ability to reduce costs
- ❖ generic strategies
 - MAC lists, acquisition costs, GFR, GSR,
- ❖ rebate models
- ❖ lowest price drug models
- ❖ Traditional and pass through models
- ❖ Transparency available



Other Review Processes

These are the different areas reviewed for each vendor from the materials provided or their website, which will be beneficial to both SJVIA and their employees and dependents

- ❖ **Increase generic utilization**
 - **1% increase in GFR can mean as much as 1.5%-2% cost savings**
 - **SJVIA has about 71.55% GFR- below average in market.**
- ❖ **Communication and Education Processes**
 - **Website, letters, and newsletters**
 - **To Patient, Pharmacy and Physician**
 - **Medco strongest in Patient and Physician education.**
 - **Express Scripts strongest in consumer education**
- ❖ **Specialty Drug costs will contribute 10-15% of costs**
 - **Evaluation on comparative costs, volume of list and strength of list**
 - **Evaluate the strongest Specialty drug program for SJVIA.**



Misc Totals

Misc Information

Name	Points
Catalyst Traditional	96.00
U S Script Traditional	95.00
Envision Pass Through	95.00
Catalyst Pass Through	94.00
ExpressScripts Traditional	93.00
U S Script Pass Through	92.00
Anthem Pass Through	91.00



Book of Business Generic Fill Rates

Reported SJVIA from Vendors on Vendor offering
Worksheet

Generic Fill Rate
Comparisons 2012

Book of business reported
by company

	SJVIA	Anthem	Catalyst	Envision	ESI/Medco	U S Script	Color Code
Retail	71.74%	74.50%	74.00%	75.00%	77.70%	77.82%	Worst
Mail	63.84%	62.30%	51.00%	61.00%	66.20%	61.58%	Better
Combo	71.55%	73.90%	73.00%	74.00%	76.50%	74.75%	Best



Top Rx Costs

- ❖ Each vendor was asked to submit costs on book of business (BOB) same top drugs.
- ❖ Each vendor was then asked to use their most current 6 months worth of book of business data and list the cost of each of the top 100 retail, top 50 mail and top 30 specialty drugs..
- ❖ The cost was reviewed by cost per day and cost per unit for each of the top drugs
- ❖ The vendors were asked to submit their costs for the ingredient cost including the discounts but excluding any dispensing fees, taxes, co-pays or rebates.
- ❖ The Top drugs were then compared for each of the vendors
- ❖ The average cost for each drug for all vendors was determined
- ❖ Then a point was given to the vendor each time their BOB cost was less than the average. Two points were given for the lowest BOB cost for each drug. Two points were added for the highest cost.
- ❖ The point totals were determined for both cost per day and cost per unit
- ❖ Total points for top drugs was determined and reported.
- ❖ Vendor with most points in each category overall was awarded 100 points and each subsequent vendor was awarded points based on the rank for each of the top drug categories.



Top 100 Retail Drugs Point Total

Top 100 comparison

By day and By Unit	Points
Catalyst Traditional	100.00
Catalyst Pass Through	98.00
U S Script Pass Through	89.65
U S Script Traditional	88.15
Envision Pass Through	87.85
ExpressScripts Traditional	78.82
Anthem Pass Through	75.00



Top 50 Mail Order Drugs Point Total

Top 50 Mail

By day and By Unit

Points

U S Script Traditional

100.00

U S Script Pass Through

98.00

Anthem Pass Through

92.32

ExpressScripts Traditional

85.80

Catalyst Traditional

84.96

Catalyst Pass Through

84.96

Envision Pass Through

75.00



Top 30 Specialty Drugs Point Total

Specialty Pharmacy Comparison

By day and unit, strength, options	Points
Envision Pass Through	100.00
Catalyst Traditional	95.28
Catalyst Pass Through	95.28
U S Script Traditional	92.30
U S Script Pass Through	92.30
Anthem Pass Through	77.72
ExpressScripts Traditional	75.00



MAC List Rx Costs

- ❖ Each vendor was asked to submit the MAC list to apply to SJVIA.
- ❖ Each vendor was then asked to use their most current MAC List.
- ❖ The MAC cost was reviewed per unit for each of the drugs.
- ❖ About 100 top drugs were selected to compare.
- ❖ The MAC list was reviewed for number of drugs on the list.
- ❖ The MAC list drugs were then compared for each of the vendors.
- ❖ The average cost for each drug for all vendors was determined.
- ❖ Then a point was given to the vendor each time their MAC unit cost was less than the average. Two points were given for the lowest MAC cost for each drug. Two points were added for drug with highest MAC cost,
- ❖ The point totals were determined both by the vendor with the highest point total on MAC units cost evaluation and by vendor with highest number of MAC products. These point totals were added together and divided by two to get the final MAC list evaluation score.
- ❖ Lists were compared on size and overall cost.
- ❖ MAC lists are proprietary and actual costs are not shared with client.



MAC List Drugs Point Total

MAC List

Name	Points
U S Script Traditional	100.00
U S Script Pass Through	100.00
Envision Pass Through	98.17
Anthem Pass Through	87.67
Catalyst Traditional	79.34
Catalyst Pass Through	79.34
ExpressScripts Traditional	75.00



Total of Points for RFP submission

Total Points

	Questionnaire	Pricing	Reprice	Misc.	Top Retail	Top Mail	Specialty	MAC List	Customer service	Total
U S Script Traditional	200.00	196.73	89.54	95.00	88.15	100.00	92.30	100.00	88.00	1049.72
U S Script Pass Through	200.00	192.31	85.00	92.00	89.65	98.00	92.30	100.00	87.00	1036.26
Envision Pass Through	195.73	189.10	96.21	95.00	87.85	75.00	100.00	98.17	98.00	1035.06
Catalyst Traditional	192.31	189.51	96.60	96.00	100.00	84.96	95.28	79.34	97.00	1031.00
Catalyst Pass Through	192.31	189.46	95.72	94.00	98.00	84.96	95.28	79.34	95.00	1024.07
Express Scripts Traditional	196.58	200.00	100.00	93.00	78.82	85.80	75.00	75.00	92.00	996.20
Anthem Pass Through	190.60	190.10	96.42	91.00	75.00	92.32	77.72	87.67	85.00	985.83

Worst

Better

Best



Final Ranking By total points

Final Ranking	Name	Points	Difference
1	U S Script Traditional	1049.72	0.00%
2	U S Script Pass Through	1036.26	1.28%
3	Envision Pass Through	1035.06	1.40%
4	Catalyst Traditional	1031.00	1.78%
5	Catalyst Pass Through	1024.07	2.44%
6	Express Scripts Traditional	996.20	5.10%
7	Anthem Pass Through	985.83	6.09%



Comments on Vendors-Pricing

❖ Pricing Rank

- Express Scripts
- U S Script

❖ Re-Pricing

- Express Scripts
- Catalyst

❖ This is discounts and rebates and affects 8-10% of costs- therefore best discounts do not get you best costs

❖ Remainder of costs affected by managing the pharmacy costs

- MAC Lists
- Generic fill rates
- Top drug costs
- Specialty drug costs



Comments on Vendors-Rx Cost Management

❖ Cost Management Rank

- Express Scripts/Medco- Consumerology-Therapeutic Resource Centers
- Envision/U S Script: Lowest cost formulary-up front rebates-Lowest cost day/unit

❖ Cost containments strategies

- Retail: Catalyst lowest cost per day and per unit.
- Mail: U S Script Lowest cost per day and per unit.
- Specialty management: Envision lowest cost per day and unit
- MAC List: U S Script strong, aggressive MAC

❖ Generic cost review

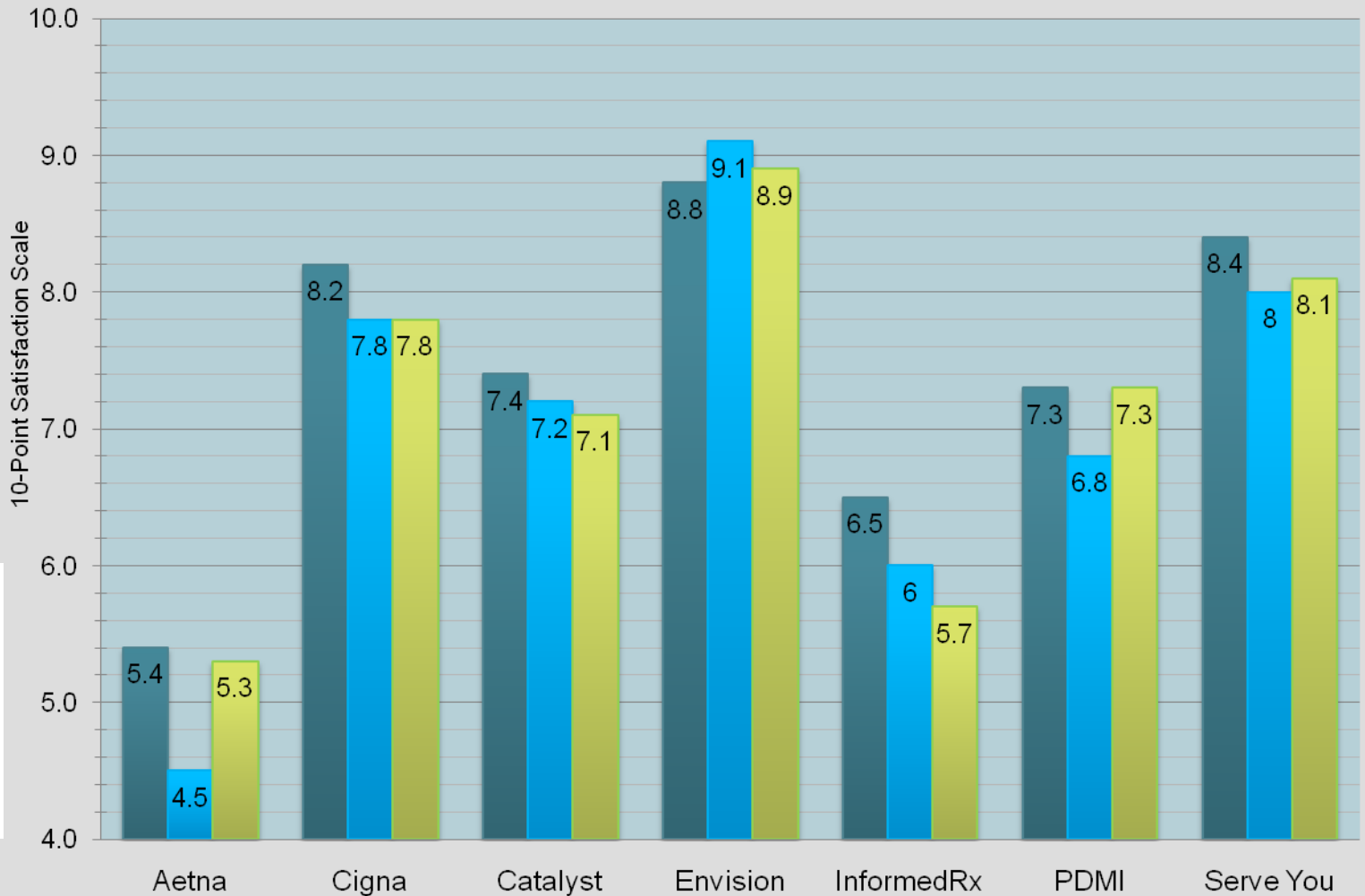
- ESI and U S Script had better book of business GFR.
- Could mean thousands of dollars in savings for 2013-2015

❖ Pharmacy Benefit Management Institute Rating

- Envision is rated highly by its customers (see charts)
 - Anthem is processed by Express Scripts
 - Catalyst is about average for smaller PBM's, ESI is below average.



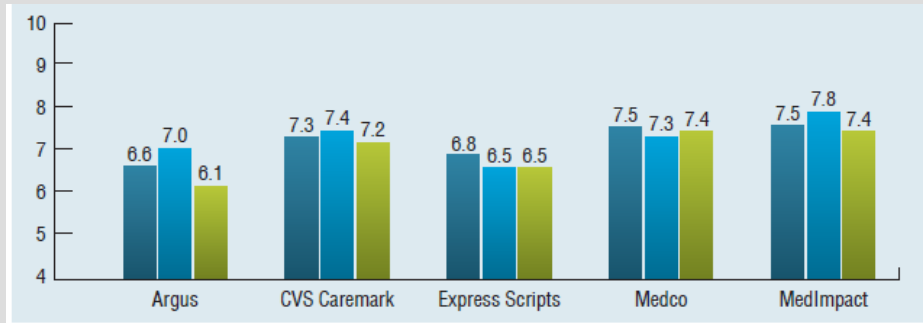
PBMI Overall ratings results 2012 for smaller PBM's**



** Less than 20 million lives

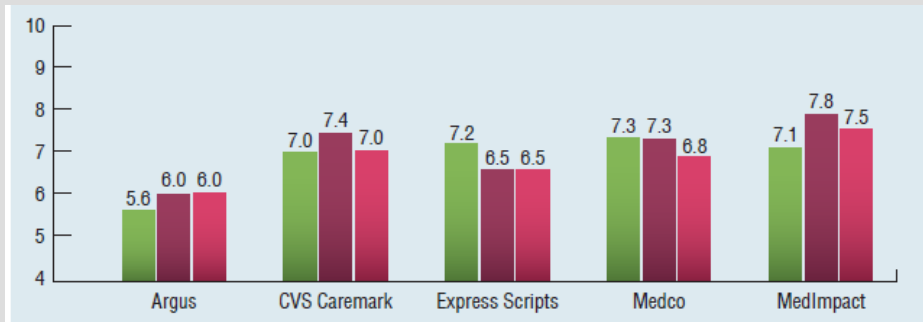


Overall Satisfaction: 2012 Compared to Large PBM's*



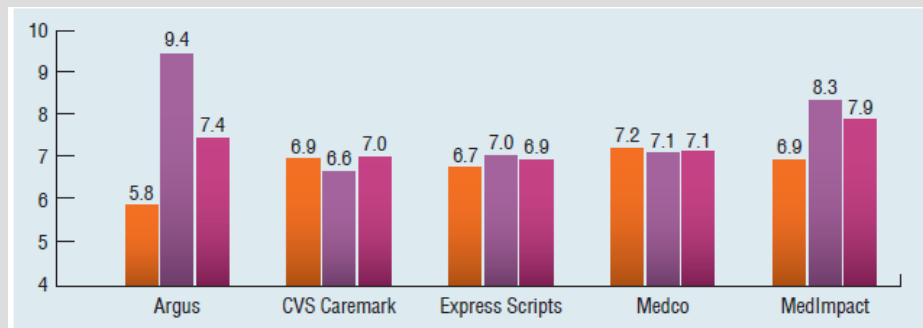
Mean Overall Satisfaction Rating for Larger PBMs
10-Point Satisfaction Scale

- Overall Service and Performance
- Delivered Promised Savings
- Delivered Promised Services



Mean Satisfaction Rating by Key Attributes for Larger PBMs
10-Point Satisfaction Scale

- Effectively Uses Technology
- Effective Tools to Manage Drug Benefit Costs
- Flexibility



Mean Satisfaction Rating by Key Attributes for Larger PBMs
10-Point Satisfaction Scale

- Innovative Programs and Services
- No Conflict of Interest Issues
- Relationship Oriented

*more than 20 million reported members



Comments on Vendors-Bottom Line

❖ Bottom line:

- U S Script ranked top in more categories.
- ESI/Medco has best discounts.
- ESI/Medco has best clinical resources.
- Almost all offers better than incumbent offer.
 - **As Incumbent Catalyst did not make much better offer.**
 - Opportunity for cost savings from all.
- U S Script ranked highest in our overall review.
 - Envision and Catalyst were very close in scores.
- ESI/Medco financials are better than others. Much better than current.
 - Express Scripts rebates were reported much higher than others.
 - ❖ Based on old data probably won't produce as much as indicated.
 - If generic fill rates changes the rebates will be lower.



Suggested Next Steps

❖ **Select and notify finalists**

➤ **Suggest**

- **U S Script**
- **Envision**
- **Catalyst as the incumbent? Or Express Scripts due to discounts.**

❖ **Obtain best and final financial offers (include incumbent?)**

❖ **Formulary disruption analysis results to follow for finalists.**

❖ **Generic fill rate guarantees required from finalists?**

❖ **Prepare Finalist presentation agenda**

❖ **Prepare questions for finalists**