



# **San Joaquin Valley Insurance Authority Prescription Drug RFP Analysis 2011**

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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 Three- Caremark/CVS, Express Scripts and Medco have over 150 million lives, 75-80% of industry**
- ❖ **Approximately 71 total PBMs**



# 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 (WHI) contract.

8 bids including the current vendor contract (WHI) were reviewed for SJVIA

- Express Scripts (2)
  - Traditional
  - Pass Through
- U S Script (2)
  - Traditional
  - Pass Through
- Medco (1)
  - Traditional
- Envision (1)
  - Pass Through
- Anthem (1)
  - Pass Through
- Walgreens Health Initiative (1)
  - Current contract
  - Catalyst, who now owns WHI, did not send a bid.



# 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.**
- ❖ **261 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
<b>Express Scripts Traditional</b>	200.00	86.21%	0.00%
<b>Express Scripts Pass Through</b>	200.00	86.21%	0.00%
<b>Envision Pass Through</b>	199.11	86.21%	0.44%
<b>Medco Traditional</b>	192.00	82.76%	4.00%
<b>US Script Traditional</b>	189.22	81.99%	4.89%
<b>US Script Pass Through</b>	190.22	81.99%	4.89%
<b>Anthem Pass Through</b>	190.22	81.99%	4.89%





# Analysis of Price Offers

- ❖ **Model with SJVIA's actual 2010-2011 pharmacy data (1 year of Rx claims)**
- ❖ **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**



# 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
<b>Express Scripts Traditional</b>	100.00
<b>Medco Traditional</b>	98.40
<b>US Script Traditional</b>	97.30
<b>Express Scripts Pass Through</b>	96.40
<b>US Script Pass Through</b>	95.70
<b>Anthem Pass Through</b>	92.34
<b>Envision Pass Through</b>	91.51



# Discounts with rebates

## RxCostView-with Rebates

Rank	Points
<b>Express Scripts Traditional</b>	100.00
<b>Medco Traditional</b>	98.83
<b>US Script Traditional</b>	96.94
<b>Express Scripts Pass Through</b>	96.16
<b>US Script Pass Through</b>	95.26
<b>Anthem Pass Through</b>	90.73
<b>Envision Pass Through</b>	87.46



# Discounts-Combined

## RxCostView-Combined

Rank	Points
<b>Express Scripts Traditional</b>	200.00
<b>Medco Traditional</b>	197.23
<b>US Script Traditional</b>	194.24
<b>Express Scripts Pass Through</b>	192.56
<b>US Script Pass Through</b>	190.96
<b>Anthem Pass Through</b>	183.07
<b>Envision Pass Through</b>	178.97



# Re-Price Model

- ❖ **All vendors were asked to re-price 12 months worth of SJVIA Rx 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
<b>Express Scripts Traditional</b>	100.00
<b>Anthem Pass Through</b>	98.50
<b>US Script Traditional</b>	97.00
<b>US Script Pass Through</b>	90.50
<b>Express Scripts Pass Through</b>	88.00
<b>Medco Traditional</b>	78.75
<b>Envision Pass Through</b>	77.00



# 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% cost savings**
  - **SJVIA has about 70.67% GFR- 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
<b>US Script Traditional</b>	98.50
<b>Envision Pass Through</b>	98.00
<b>US Script Pass Through</b>	96.00
<b>Anthem Pass Through</b>	94.00
<b>Medco Traditional</b>	93.00
<b>Express Scripts Traditional</b>	92.00
<b>Express Scripts Pass Through</b>	90.50



# Book of Business Generic Fill Rates

Reported to ASJVI from Vendors on Vendor offering Worksheet

Generic Fill Rate Comparisons 2011

Book of business reported by company

	SJVIA	Anthem	Medco	ESI	Envision	U S Script
Retail	<b>70.89%</b>	72.60%	72.70%	75.00%	69.00%	77.82%
Mail	<b>63.54%</b>	54.90%	61.50%	61.80%	56.00%	61.58%
Combo	<b>70.67%</b>	61.70%	71.00%	73.80%	68.00%	74.75%



# 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
<b>Envision Pass Through</b>	100.00
<b>Medco Traditional</b>	93.00
<b>Express Scripts Traditional</b>	87.25
<b>Express Scripts Pass Through</b>	85.00
<b>US Script Traditional</b>	83.25
<b>US Script Pass Through</b>	82.50
<b>Anthem Pass Through</b>	75.00



# Top 50 Mail Order Drugs Point Total

## Top 50 Mail

By day and By Unit	Points
<b>Envision Pass Through</b>	100.00
<b>US Script Traditional</b>	98.75
<b>US Script Pass Through</b>	96.50
<b>Medco Traditional</b>	94.50
<b>Express Scripts Traditional</b>	91.50
<b>Express Scripts Pass Through</b>	90.25
<b>Anthem Pass Through</b>	75.00



# Top 30 Specialty Drugs Point Total

## Specialty Pharmacy Comparison

By day and unit, strength, options

Points

**Envision Pass Through**

100.00

**Express Scripts Traditional**

90.00

**US Script Traditional**

89.00

**US Script Pass Through**

88.00

**Express Scripts Pass Through**

87.50

**Anthem Pass Through**

84.25

**Medco 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
<b>US Script Traditional</b>	100.00
<b>US Script Pass Through</b>	100.00
<b>Envision Pass Through</b>	96.25
<b>Medco Traditional</b>	88.25
<b>Anthem Pass Through</b>	85.00
<b>Express Scripts Traditional</b>	75.00
<b>Express Scripts Pass Through</b>	75.00



# Total of Points for RFP submission

<b>Total Points</b>	Questionnaire	Pricing	Reprice	Misc.	Top Retail	Top Mail	Specialty	MAC List	Customer view	Total
<b>US Script Traditional</b>	189.22	194.24	97.00	98.50	83.25	98.75	89.00	100.00	98.50	1048.46
<b>Envision Pass Through</b>	199.11	178.97	77.00	98.00	100.00	100.00	100.00	96.25	99.00	1048.33
<b>US Script Pass Through</b>	190.22	190.96	90.50	96.00	82.50	96.50	88.00	100.00	97.00	1031.68
<b>Express Scripts Traditional</b>	200.00	200.00	100.00	92.00	87.25	91.50	90.00	75.00	91.00	1026.75
<b>Medco Traditional</b>	192.00	197.23	78.75	93.00	93.00	94.50	75.00	88.25	92.00	1003.73
<b>Express Scripts Pass Through</b>	200.00	192.56	88.00	90.50	85.00	90.25	87.50	75.00	90.00	998.81
<b>Anthem Pass Through</b>	190.22	183.07	98.50	94.00	75.00	75.00	84.25	85.00	92.50	977.54



# Comments on Vendors-Pricing

## ❖ Pricing Rank

- Express Scripts-
- Medco
- U S Script

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

## ❖ Cost containments strategies

- Mail: Envision lowest cost per day and unit
- Specialty management: Envision lowest cost per day and unit
- Generic Fill Rates: U S Script very strong

## ❖ Customer Service

- Envision Rx – High ranking at PBMI- delivering on promised services and promised savings
- U S Script: Highly rated by our clients

## ❖ Generic cost review

- Medco and ESI had higher cost generic even with best discounts
- Could mean thousands of dollars higher costs



# Comments on Vendors-Bottom Line

## ❖ Bottom line:

- Review shows no significant difference between Envision and U S Script
  - ESI may have best discounts but does not equate to lowest costs- customer service scores lower
  - Envision/ U S Script may have lowest bottom line cost options
  - Medco has best Therapeutic resources may have better management of new genetic products coming to market
- All offers are significantly better than current offer
  - Opportunity for cost savings from all
- U S Script and Envision are our choice to save this client money



# Suggested Next Steps

## ❖ Select and notify finalists

### ➤ Suggest

- U S Script
- Envision
- Express Scripts- Eliminated

## ❖ 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



# Estimated Savings Report

from current contract rates for three year extension

## SJVIA

### Prescription Drug Marketing Analysis

New bid requiring three years	Incumbent	Flat rates	Flat Rates	Flat Rates	Minimum Rates			
	Catalyst Bid	ESI	Medco	U S Script			Envision	
		Traditional	Traditional	Traditional		Pass Through		
<b>2010 Costs X three years</b>								
Ingredient cost from Claims	\$42,955,986							
Rebates from report	\$1,712,753							
Cost minus rebates	\$41,243,233							
<b>2011 New Price Offer (RxCostView)</b>	<b>For next three years</b>							
Repricing with No Rebates Admin Fees		\$40,877,054	\$41,532,997	\$41,981,797			\$44,310,102	
With Rebates and Admin Fees		\$37,894,976	\$38,342,965	\$39,129,907			\$42,702,428	
Estimated possible savings on New Price Offers three years		<b>\$3,348,2578</b>	<b>\$2,900,268</b>	<b>\$2,113,326</b>			<b>N/A</b>	<b>Model differ</b>
Estimated Proforma Savings due to reduced generic AWP and Multi source products pricing		<b>N/A</b>	<b>N/A</b>	<b>\$4,500,000</b>	<b>N/A</b>	<b>N/A</b>	<b>\$5,500,000</b>	

Proforma's calculated by vendor savings due to formulary and drug utilization changes  
**Using the Catalyst contact for another three years would have a significant cost impact on SJVIA**

This analysis is for illustrative purposes only, and is not a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts.