

February 22, 2019

SJVIA Board Meeting: Consultant's Report on Pharmacy Cost Savings and 2018 3rd Quarter Rx Report

When EmpiRx was implemented as the new PBM for 2018, little changes were made from the existing prescription drug program. Keenan Pharmacy Services identified mail order strategies and several clinical management strategies that could result in lower costs as much as \$1.8 million.

Currently most maintenance medication (90-day supply) are filled through the retail channel. Prescription drug rebates are substantially lower through the retail 90-day supply channel than through the mail order channel. The Keenan Pharmacy Division estimates a savings of \$1.2 million should mail order be mandated. Another option would be to incentivize mail order by providing a lower copayment for mail order. Depending on how well the incentive works, a 2% increase in mail order would realize \$34,793 in savings, while a 15% increase in mail order would realize \$257,278 in savings.

KPS Identified Savings Opportunities				
Mandated Design	Mandate Mail Order after Grace Fills			
	1 Grace Fill	2 Grace Fills	3 Grace Fills	
Specialty	\$ 498,303	\$ 419,027	\$ 339,750	
Non-Specialty	\$ 758,033	\$ 637,629	\$ 517,225	
Total Savings	\$ 1,256,336	\$ 1,056,656	\$ 856,975	
Incentive Based Design	Incentive Design Copayment Reduction for Mail Order \$5 Generic and \$10 Brand		Incentive Design Copayment Reduction for Mail Order \$10 Generic and \$10 Brand	
	2% Switch Rate	5% Switch Rate	10% Switch Rate	15% Switch Rate
Total Savings	\$ 34,793	\$ 95,478	\$ 168,398	\$ 257,278

Clinical management recommendations could result in further savings as the following chart details.

Clinical Management Recommendations	
Exclude Drugs with OTC Equivalents	\$ 186,349
Exclude Drug PPI coverage	\$ 79,000
Change Quantity Limits on ED Drugs from 8 to 4 per Month	\$ 129,000
<u>Add Mandatory Generic</u>	<u>\$ 196,218</u>
Total	\$ 590,567

SJVIA staff is reviewing these plan savings opportunities and will come back to the SJVIA Board with recommendation for either a July 1, 2019 implementation date or January 1, 2020 implementation date.

2018 3rd Quarter Rx Report

Keenan has attached the 2018 3rd Quarter Rx Report for your review. Notable items from the report include:

- Specialty drug cost increased 28% from the 2nd quarter to \$1,613,960. For comparative purposes this is 9.5% greater than 3rd quarter 2017.
- Mail order prescriptions amounted to 240 scripts while retail 90 scripts amounted to 6,871. A strong opportunity exists here to lower cost by moving more scripts to mail order.
- Generic dispensing rate continues to improve with 87% of drugs with a generic equivalent being dispensed as a generic. The opportunity to reduce costs lies with the remaining 13% which have a generic equivalent but continue being filled with the brand name drug.