

July 19, 2019

SJVIA Board Meeting: Consultant's Report on Pharmacy Mail Order Cost Savings

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 that could result in lower costs as much as \$1.2 million.

Over 97% of 90-day supply prescriptions are filled through the retail channel (Retail 90). Less than 3% of the 90-day supply are filled through the mail order pharmacy program. The mail order program offers significant lower costs due to better discounting contracts and greater prescription drug rebates. The Keenan Pharmacy Division estimates a savings of \$1.2 million should mail order be mandated. The SJVIA Board requested the SJVIA staff to come back with an incentive-based copayment design to consider in lieu of mandating the mail order program.

Currently the Retail 90 and mail order program require the same copayments.

- Generic \$20 copayment
- Retail formulary brand \$40 copayment
- Retail non-formulary brand \$60 copayment

It is proposed that the mail order program be lowered by \$10 for formulary and non-formulary copayments and \$5 for generic copayments to provide the incentive for covered members to use the mail order program. Since most of the rebates are based on brand drugs, it was determined that the reduction in copayments should be greater for brand drugs than the generic drug.

- Generic \$15 copayment
- Retail formulary brand \$30 copayment
- Retail non-formulary brand \$50 copayment

A 10% increase in mail order usage would result in \$120,000 in annual savings. A 50% increase in mail order usage would result in a \$600,000 savings in drug cost. Keenan will report back to the SJVIA the change in mail order utilization on a quarterly basis as part of the quarterly utilization reporting.

The SJVIA Board has two options to decide from:

1. Mandate Mail Order for eligible prescriptions with an estimated savings of \$1.2 million.
2. Provide a reduced copayment incentive to encourage mail order usage. Savings \$120,000 to \$600,000 based on 10% to 50% utilization.

The SJVIA board expressed concern over the impact to local independent pharmacies by implementing the mail order strategy. In 2018, 34 local independent pharmacies filled 1,190 retail 90 prescriptions for \$213,290.13 in prescription drug costs on a total drug cost for 2018 of \$19.8 million. The following chart identifies the local independent pharmacies utilized with the number of retail 90 prescriptions and the dollar cost.

Independent Pharmacies - Retail 90 fills	Address (St/City)	County	Claims Paid	Claims
SCRIPT LIFE PHARMACY	255 W. Herndon Ave., Suite 101, Clovis	Fresno	\$51,947	274
PILL BOX PHARMACY	2608 E. Ashlan Ave., Fresno	Fresno	\$21,235	193
REEDLEY PRO-SCRIPT PHARMACY	1045 G Street, Reedley	Fresno	\$13,007	40
RANCHO PHARMACY	426 N. Kaweah Ave, Exeter	Tulare	\$12,620	75
EXPRESS PHARMACY #10	365 Campus Drive, Hanford	Kings	\$12,166	29
THREE RIVERS DRUG	40893 Sierra Drive, Ste. G, Three Rivers	Tulare	\$12,021	30
CEDAR PHARMACY AND MEDICAL SUPPLIE	6767 N. Cedar Avenue, Fresno	Fresno	\$11,912	27
DINUBA PHARMACY	172 N. L. Street, Dinuba	Tulare	\$11,224	54
NORTHWEST MEDICAL PHARMACY	7355 N. Palm Avenue, Fresno	Fresno	\$9,801	93
MIXMED PHARMACY	2101 Herndon Avenue #102, Clovis	Fresno	\$8,774	26
WESTSIDE DRUG	1101 O Street, Firebaugh	Fresno	\$8,550	19
BULLARD PHARMACY	2026 W. Bullard Avenue, Fresno	Fresno	\$6,319	43
CARE CENTER PHARMACY	1570 E. Herndon Avenue, Fresno	Fresno	\$5,414	45
MEDICINE SHOPPE	4845 East Butler Avenue, Fresno	Fresno	\$4,861	21
MYMED PHARMCY	7141 N. Cedar Avenue #104, Fresno	Fresno	\$4,586	36
SOUTH COURT PHARMACY	1620 S. Court Street, Visalia	Tulare	\$3,396	17
SCRIPTCARE RX AND MEDICAL SUPPLIES	159 West Shaw Avenue, Clovis	Fresno	\$2,919	26
R AND M DRUG	323 North 11th Avenue Hanford	Kings	\$2,845	7
PORTERVILLE PHARMACY	406 West Putnam Avenue, Porterville	Tulare	\$2,390	31
VILLAGE PHARMACY			\$1,573	11
UNIVERSAL PHARMACY SERVICES	2064 West Paul Avenue, Fresno, CA	Fresno	\$1,488	1
MEDICINE SHOPPE PHARMACY	4845 East Butler Avenue, Fresno	Fresno	\$1,142	17
BARR PHARMACY	1825 Academy Avenue, Sanger	Fresno	\$1,020	7
TOWN CENTER PHARMACY	535 West Acequia, Visalia, CA	Tulare	\$599	7
KAWEAH DELTA PHARMACY	202 West Willow Avenue, Visalia	Tulare	\$484	17
MODEL DRUG INC	1506 Draper Street, Kingsburg	Fresno	\$322	1
PRIMARY CARE PHARMACY	5551 East Kings Canyon Road #101, Fresno	Fresno	\$149	19
FOX DRUG STORE	5689 East Kings Canyon Road, Fresno	Fresno	\$140	1
RIVERDALE DRUG	3462 West Mount Whitney Avenue, Riverdale	Fresno	\$118	4
New Life Pharmacy	483 East Almond Avenue, Madera	Madera	\$95	1
CARUTHERS PHARMACY	2436 West Tahoe Avenue, Caruthers	Fresno	\$75	8
MANOR DRUGS	5795 North First Street, Fresno	Fresno	\$55	7
BK PHARMACY CORP.	6741 N. Willow Avenue, Fresno	Fresno	\$46	1
MADERA MEDICAL PHARMACY	402 South Madera Avenue A, Madera	Madera	\$0	2
Total			\$213,290	1190

SJVIA staff recommends the mail order copayment incentive be introduced in conjunction with the 2020 renewal.