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CORRESPONDENCE MEMORANDUM

DATE: December 13, 2013

TO: Group Insurance Board Strategic Planning Workgroup

FROM: Jeff Bogardus, Manager, Pharmacy Benefit Programs,
Health Benefits & Insurance Plans Bureau, Division of Insurance Services

SUBJECT: Pharmacy Benefit Mail Order Services

This memo is for informational purposes only. No Board action is required.

This memo provides additional information about the mail order prescription drug coverage benefits included under the State and Wisconsin Public Employers (WPE) group health insurance programs. The Board has requested that staff provide additional information about the mail order program based on the pharmacy data presentation provided during the November 2013 meeting.

Current Pharmacy Benefit Design

Currently State and WPE members receive their prescription drugs from the types of pharmacies shown in Table 1 on Attachment 1. Claims processed through the mail order pharmacy channel account for just under 3% of the total cost of all drugs and only 1.8% of the claims.

The current pharmacy benefit design provides mail order service for many prescription drugs. For most Level 1 and Level 2 Formulary prescription drugs an incentive is provided for a member to utilize the preferred mail order vendor, WellDyne Rx, by removing one copayment for a 90-day supply of drugs.

The Board's contracted Pharmacy Benefit Manager (PBM), Navitus Health Solutions, LLC (Navitus), determines which drugs are eligible for the 90-day supply with a reduced copayment incentive. This generally includes maintenance medications that are used to treat long-term, chronic conditions. In 2012 and 2013, 76% of the prescriptions filled though the mail order services are for generic drugs while 24% are for brand name drugs. Self-administered injectables, which can be some of the highest cost drugs for the plan, and narcotics, are among those drugs for which a 90-day supply is not available through WellDyne Rx.

The 10 drugs with the greatest number of prescriptions filled through mail order services are listed in the table on Page 2. The 10 drugs listed account for only 8% of the total cost (plan paid

Reviewed and approved by Lisa Ellinger, Administrator, Division of Insurance Services.

Lisa Ellinger

Electronically Signed 12/26/13

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and member paid) of all mail order drugs, but reflect a little more than 28% of the prescriptions filled through mail order.

Drug Name	Drug Category	Percentage of All Mail Order Rx's	Brand/Generic
Simvastatin	Antihyperlipidemics	5.66%	Generic
Levothyroxine Sodium	Thyroid Agents	4.76%	Generic
Lisinopril	Antihypertensives	3.41%	Generic
Omeprazole	Ulcer Drugs	3.29%	Generic
Hydrochlorothiazide	Diuretics	2.47%	Generic
Crestor	Antihyperlipidemics	2.12%	Brand
Metformin Hcl	Antidiabetics	1.95%	Generic
Atenolol	Beta Blockers	1.65%	Generic
Atorvastatin Calcium	Antihyperlipidemics	1.54%	Generic
Metoprolol Succinate ER	Beta Blockers	1.45%	Generic
		28.29%	

How State and WPE Program Mail Order Utilization Compares

The State and WPE programs have a 1.8% mail order utilization rate for both 2012 and 2013. Mail order utilization is at approximately 2.5% for Navitus' full book of business. Excluding the State and WPE programs, Medicare, and Medicaid business, Navitus' commercial book of business has a 2.3% mail order utilization rate.

On a national level, the trend in pharmacy benefit philosophy from a plan sponsor perspective has been moving away from providing the broadest coverage to balancing costs with care.[1] Evidence of this can be seen in the upward trend of plan sponsors adopting mandatory mail order programs or mail order programs that place more of the cost share on the member. For instance, the Pharmacy Benefit Management Institute (PBMI) reported in their 2013-2014 Prescription Drug Benefit Cost and Plan Design Report[2] that in 2013, of the 450 employers and plan sponsors that responded to the PBMI survey who offer mail order services, 24% require the use of a mandatory mail program for maintenance medications. This is very similar to the 2012 level of 23%, but up from 18% in 2011. However, there is very little information available on a national level that provides specific data about the utilization of mail order services in plans that do not make using the mail order service mandatory.

Impact of Higher Mail Order Utilization on Plan and Member Costs

Tables 2 and 3 on Attachment 1 show the cost impact if State and WPE members were to increase their utilization of mail order services, transitioning away from 30-day and 90-day fills at retail. This information was provided by the data analytics team at Navitus. The following assumptions were made in their analysis:

- The ETF copay design was the only factor considered and the analysis did not incorporate any coinsurances, zero copays or "lesser of" logic copayments (i.e. if the actual cost of the drug is less than the copayment, the member pays the actual cost).

- The analysis used the overall AWP discounts (from ETF data) to calculate savings:

  - 30-day retail = Generic 77.2% / Brand 14.5%
  - 90-day retail = Generic 85.5% / Brand 18.3%
  - Mail Order = Generic 87.2% / Brand 19.9%

- The analytics team simply moved the percentage of dollars (1%, 2%, etc.) to arrive at the savings amounts and the analysis was not done on individual claim level basis.

As originally designed, the mail order benefit with one copayment waived was cost neutral, based on 30-day fills at retail pharmacies, and was designed before the concept of 90-day fills at retail pharmacies was introduced. As shown in Tables 2 and 3, based on the current design and pricing, an increase in mail order utilization does not suggest that much savings would result. Without benefit design changes, the State and WPE programs could potentially see limited savings if members move from 30-day retail fills to mail order. But the State and WPE programs could potentially break even or incur additional costs if members transition from 90-day retail fills to mail order since 90-day retail discounts are comparable to mail order discounts and the State and WPE programs would absorb the cost of the one-copayment waiver on mail order fills. This essentially is a cost shift to the plan.

Strategies for Mail Order Utilization

Following are strategies that can be explored to address the mail order utilization levels of the State and WPE members, depending on the objectives the Board wishes to achieve in regard to mail order services:

- Member Communications
- Higher Plan Sponsor Cost Sharing that Favors Mail Order
- Higher Member Cost Sharing at Retail Pharmacies
- Copayment Waivers
- Mandatory Mail Order
- Auto-enrollment in the mail order program & member must actively opt out.

Since generic drugs make up most of the mail order business and they are such a small portion of our overall drug spend, the impact to plan savings will be minimal. In addition, issues with waste, which are hard to identify proactively, and difficult to track & confirm, would have to be addressed and could preclude the programs from realizing the full potential savings.

Staff will be at the Strategic Planning Workgroup meeting to answer any questions.

Attachment: Pharmacy Benefit Mail Order Services

Footnotes

1. From the 2012 national peer study conducted by Express Scripts and published in their report, “9 Leading trends in Rx Plan management”:
   “Balancing cost with care” is the prevailing benefit philosophy

   The overriding story of the past five years is the migration of prescription benefit philosophy from “providing the broadest coverage” to “balancing cost with care.” Over that span, providing the broadest coverage has fallen from 57 to 14 percent, while balancing cost and coverage has risen from 41 to 78 percent. This year’s study marks the first time that every type and size of prescription plan sponsor cited the cost/care balance as its prevailing philosophy. For the first time, a slight majority of unions (52 percent) joined for-profit companies (82 percent), public sector (78 percent), and nonprofit organizations (81 percent) in choosing balancing cost with care. Also worthy of note, plan sponsors appear to be as committed as ever to providing their members with a prescription benefit. Only 2 percent reported the ability to continue providing a prescription benefit as their major plan challenge.

2. From the “2013-2014 Prescription drug Benefit Cost and Plan Design Report” published by the Pharmacy Benefit Management Institute (PBMI), and sponsored by Takeda Pharmaceuticals U.S.A., Inc. (Page 8):

   Mail Pharmacy […]
   Almost all respondents offer access to a mail-service pharmacy (Figure 9). Of those offering mail service, 24% have a mandatory mail program, with 4% of plans requiring that some and 20% requiring that all maintenance medications be filled through mail. These figures are virtually unchanged from 2012. Smaller employers are catching up with larger employers when it comes to mail service, with the percentage offering this channel no longer significantly smaller (93% vs. 96%; Table 3). Larger employers are much more likely to have a mandatory mail benefit, with 26% of larger and 14% of smaller employers using mandatory mail for all maintenance medications.

TABLE 1

Pharmacy Channel	Claims		Costs: Total Paid		Plan Paid		Member Paid	
30-day at Retail	1,974,429	80.58%	$145,150,818.20	69.07%	$128,247,618.20	69.91%	$16,903,200.00	63.26%
90-day at Retail	424,271	17.32%	$37,946,223.25	18.06%	$29,013,993.25	15.82%	$8,932,230.00	33.43%
Mail Order	44,141	1.80%	$6,028,100.83	2.87%	$5,274,455.83	2.88%	$753,645.00	2.82%
Specialty	7,370	0.30%	$21,031,930.10	10.01%	$20,901,780.72	11.39%	$130,149.38	0.49%
Totals	2,450,211		$210,157,072.37		$183,437,847.99		$26,719,224.38	

TABLE 2

Transitioning Utilization from 30-Day at Retail to Mail Order:

Increase In Mail Order Utilization	Plan Cost	Savings		Member Cost	Savings		Total Cost	Savings	
1.00%	$ 182,183,507.76	$ 1,254,340.23	0.68%	$ 26,055,641.15	$ 663,583.23	2.48%	$208,239,053.91	$ 1,918,018.46	0.91%
2.00%	$ 181,043,992.47	$ 2,393,855.52	1.30%	$ 25,710,542.92	$1,008,681.46	3.78%	$206,754,440.39	$ 3,402,631.98	1.62%
5.00%	$ 177,625,446.59	$ 5,812,401.40	3.17%	$ 24,675,248.24	$2,043,976.14	7.65%	$202,300,599.83	$ 7,856,472.54	3.74%
8.00%	$ 174,206,900.71	$ 9,230,947.29	5.03%	$ 23,639,953.56	$3,079,270.82	11.52%	$197,846,759.27	$ 12,310,313.11	5.86%

TABLE 3

Transitioning Utilization from 90-Day at Retail to Mail Order:

Increase In Mail Order Utilization	Plan Cost	Additional Costs		Member Cost	Savings		Total Cost	Savings	
1.00%	$ 183,492,415.29	$ (54,567.30)	-0.03%	$ 26,561,386.91	$ 157,837.47	0.59%	$210,053,707.21	$ 103,365.17	0.05%
2.00%	$ 183,529,070.49	$ (91,222.50)	-0.05%	$ 26,402,700.80	$ 316,523.58	1.18%	$209,931,676.29	$ 225,396.08	0.11%
5.00%	$ 183,636,021.49	$ (198,173.50)	-0.11%	$ 25,929,657.05	$ 789,567.33	2.96%	$209,565,583.54	$ 591,488.83	0.28%
8.00%	$ 183,743,726.14	$ (305,878.14)	-0.17%	$ 25,455,859.65	$1,263,364.73	4.73%	$209,199,490.79	$ 957,581.58	0.46%