State of Wisconsin
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: April 21, 2016

To: Group Insurance Board

From: Jeff Bogardus, Manager of Pharmacy Benefit Programs
Office of Strategic Health Policy

Subject: Pharmacy Benefit Management Request for Information

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

Background

In November 2015, the Group Insurance Board (Board) exercised the final contract extension option with Navitus Health Solutions, the Board's pharmacy benefit manager (PBM). The contract with Navitus will expire December 31, 2017. At the February 17, 2016 Board meeting, the Board approved the development and release of a PBM Request for Proposals (RFP) to be issued in November 2016, to procure a new PBM administrative services contract effective January 1, 2018.

In late 2015, ETF issued a Request for Information (RFI) to get feedback from the PBM industry regarding recommendations made by the Board's benefit consultant, Segal Consulting (Segal), and to learn more about innovative pharmacy benefit concepts. RFI responses will assist in the development of the RFP scheduled to be released later this year.

There were 14 responses to the RFI that represented the full range of PBMs currently operating in the market.

RFI Results

The major categories of questions asked in the RFI and a summary of responses are below.

1. **Formulary Concepts and Design** – All responding PBMs have formularies with tiering and customization capabilities, including value-based plan designs. Pharmacy and Therapeutics (P&T) committees are also used by all vendors to evaluate clinical effectiveness of various drugs. Some of the more innovative programs include:

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy
Lisa Ellinger
Electronically Signed 5/10/16

Board	Mtg Date	Item #
GIB	5.18.16	3D

- Provider engagement strategies encouraging adherence to formulary design. These include developing prescriber profiles; pay for performance programs and shared savings agreements with prescribers; messaging programs through e-prescribing and electronic health record (EHR) channels.
- Member engagement strategies encouraging adherence to formulary design, which include medication review programs and wellness programs.

2. **Pharmacy Network Concepts and Design** – Network design is intended to direct more members to pharmacies where the PBM can obtain the best reimbursement terms. Concepts that are widely adopted include the exclusion of one or more national pharmacies, closed specialty pharmacies, mail order services, and longer refills (90 day) for maintenance prescriptions. Among the innovative concepts in network design, PBMs offer:
   - Live video consultations with a pharmacist for patients, as well as communication between pharmacists and providers.
   - Home infusion therapy.
   - Mobile Apps available to members for formulary access and to determine pharmacy locations, drug costs at competing pharmacies, and drug alternatives/equivalents that can be substituted for brand name drugs.

3. **Specialty Drug Management** – All potential vendors are looking to better manage specialty drugs. While individual prescriptions are often costly, the total cost of treatment for some conditions may be lower with appropriate drug regimens. Widely adopted specialty drug management programs include site of care restrictions; split fill or short cycle dispensing programs that allow for a short trial period of a new, generally costly medication; and tighter prior authorization programs. Innovations currently under consideration by the market include:
   - Separate formularies for specialty drugs and separate P&T committees to evaluate specialty drugs for coverage.
   - Integrating manufacturer-sponsored programs that assist with member cost sharing requirements.
   - Negotiating contracts with drug manufacturers based on value, risk, indications and efficacy. For conditions that require high-cost therapies, if the therapy fails to achieve the expected/desired outcomes, the drug manufacturer covers the cost of the medication.
   - Specialty networks that require the pharmacies to competitively bid against each other to dispense approved specialty drugs so the most cost effective specialty pharmacy in the network is dispensing the drug.
   - Review coverage for compounded medications (two or more drugs that are normally separately dispensed combined into one medication) for further restrictions.

4. **Fully Transparent Revenue and Cost Models** – This question produced the widest variety of responses from potential vendors. Current ETF experience with a full

transparency model allows audit rights to all contracts, including drug manufacturer and pharmacy contracts. Other pricing transparency issues include:

- Referenced based pricing strategy, which establishes the cost the plan will cover for a set of drugs at specific dosages that have therapeutically equivalent outcomes. The member pays the difference between the defined benefit amount and the negotiated cost of the drug.
- Many PBMs feel reference based pricing strategies do not benefit the plan as greatly as other generic and low-cost drug utilization strategies.

5. **Performance Guarantees** – Most performance standards are comparable across the industry and include guarantees in the following categories:
   - Claims processing
   - Implementation and system changes
   - Mail-order dispensing
   - Prior authorizations
   - Grievances/appeals
   - Customer service
   - Reporting
   - Guarantees specific to clinical outcomes, generic dispensing rate (GDR) targets and cost trends all require:
     - Extensive historical data,
     - Clearly measurable and reportable parameters that are agreed upon, and
     - A perspective that the guarantees are seen as rewards and are the result of a partnership between the PBM and the client striving for the same goals.
   - Guarantees for clinical outcomes vary by PBM, with some PBMs not considering them at all, to other PBMs requiring clients to participate in all clinical programs available, which comes at a cost.
   - Guarantees for GDR rate targets are currently available from some PBMs but only for overall GDR and not for specific disease states.
   - Guarantees for cost trends vary by PBM, with some PBMs not considering them at all, to other PBMs requiring claims data from multiple years to analyze.
   - Most PBMs are willing to discuss and consider guarantees to determine if a mutual agreement can be made between parties.

6. **Integration of Pharmacy and Medical Data and Member Adherence** – Integration of medical, lab and pharmacy data is readily available, and can be structured with the PBM providing data to another entity or having the PBM serve as the accumulator of the data. Most data is available for daily feeds but hourly feeds are available as well. Data analytics strategies include:
   - Proactive programs for drug non-adherence and tailored proactive intervention.
   - Targeted communications for various situations or conditions.

- Retrospective claims analysis to identify members for adherence or non-adherence using metrics such as Medication Possession Ratio, Gaps in Therapy, Proportion of Days Covered.
- Remote patient monitoring for asthma and diabetes.
- Methods for members to improve adherence to their prescription and over-the-counter drugs (e.g., mobile apps, putting all drugs to be taken at the same time in one package, coordinating refills).
- Integrated authorization systems that connect medical and pharmacy decisions.
- Daily Retrospective Drug Utilization Reviews.
- Medication Therapy Management (MTM) programs for most appropriate disease states, utilizing various means of communication.

7. **Other Innovative PBM Strategies** – Several of these concepts would require significant resources to implement.
   - Digital tools for members that include wearable monitoring devices; two-way texting communications; video conferencing via mobile devices; refill reminders and other communications.
   - Targeted messaging to members, prescribers and pharmacies via multiple communication channels.
   - Better coordination between patient EHR/EMR and ePrescribing to include electronic prior authorizations.
   - International delivery channels via an international prescription fulfillment entity.
   - Web-based analytical tools that allow clients to identify and manage cost trends; measure and monitor benefit design effectiveness, utilization management edits, formulary tier placement, and utilization patterns.
   - Using patient genetic testing to assist in identifying the best possible treatment regimen.
   - Establishing fixed costs for high price therapy treatment programs and negotiated caps on inflation with the Pharmaceutical Manufacturers.

Conclusions

Many widely used cost management techniques are part of the current benefit plan. However, the RFI provided new information that could potentially improve the management of pharmacy costs in the future, plus information to better coordinate care and work towards better health outcomes for our members.

Questions for the RFI were designed to be very broadly interpreted to invite responses that would identify innovative methods, designs or practices.

Staff will be at the Board meeting to answer any questions.