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Correspondence Memorandum

Date: August 2, 2018
To: Group Insurance Board
From: Jeff Bogardus, Manager of Pharmacy Benefits
Office of Strategic Health Policy
Subject: Pharmacy Benefit Manager Contract Extension

ETF recommends the Group Insurance Board (Board) approve a two-year extension of the contract with Navitus Health Solutions (Navitus), the Board's pharmacy benefit manager (PBM), from January 1, 2020 through December 31, 2021.

Background

To date the Board has awarded two, one-year contracts to Navitus as a result of the request for proposal (RFP) that was finalized in 2017. The original proposed terms of that contract had been three years with two (2), two-year extensions available; however, the Board felt it prudent to agree to one-year contracts to evaluate Navitus' ability to meet financial expectations for the pharmacy benefit programs. The contract with Navitus will expire December 31, 2019, if no extension is granted.

Rationale

In reviewing financial expectations, benefit development, and long-term program development Navitus has performed well, including meeting or exceeding goals established in the current contract.

1. Financial Expectations and Performance

Starting in 2018 staff negotiated improved pricing guarantees with Navitus for both network pharmacy discounts and drug manufacturer rebates. These alone provide more than \$8.8 million in additional savings in 2018. Pharmacy discounts affect drug costs at the point of sale by reducing the amount our benefit program pays as well as the amount the member pays out of pocket. Rebates are calculated and paid after the claims have been processed, based on aggregated claims submitted to the drug manufacturer. The manufacturer pays rebates, which are returned to our benefit program and help control overall premium increases for members.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Electronically Signed 8/8/18

Board	Mtg Date	Item #
GIB	8.22.18	8B

Based on figures provided by Navitus, estimated rebates for the first quarter of 2018 are expected to exceed the improved contractual guarantees by more than \$3.1 million for non-Medicare (Commercial) claims, and by more than \$1 million on Medicare Part D (MedicareRx) claims, as shown in Table 1 and Table 2 in Attachment A. In addition, Tricast's current ongoing contract pricing analysis indicates that Navitus is exceeding pharmacy network discount guarantees in the first quarter of 2018 (refer to Table 3 in Attachment A). This equates to an increase in network discount savings of approximately \$8.7 million in the first quarter of 2018, compared to the first quarter of 2017.

The narrowed pharmacy network that was implemented in 2018, which excluded CVS pharmacies as well as several others, allowed Navitus to negotiate better network discounts with the pharmacies that would still be in-network for 2018. It also allowed Navitus to negotiate better discounts with Walgreens for the third quarter of 2017, in anticipation of the 2018 change. Our agreement with Navitus ensures our programs benefit from ongoing network contract improvements made by Navitus as they occur.

Overall, Navitus is on track to exceed the 2018 savings that had been proposed by any other PBM that responded to the RFP for this contract. The greatest savings proposed for 2018 in the RFP was \$39.8 million for the full year. After only the first quarter, between Navitus' original proposed pricing guarantees, the improved pricing guarantees negotiated, and the discount and rebate performance exceeding those guarantees, savings to our programs administered by Navitus is at \$33 million. Please refer to Table 4 in Attachment A.

Navitus has achieved savings for our group health insurance programs in 2017 and 2018 with a combination of aggressive contracting, plan design changes and clinical programs. This is reflected in the total cost of our benefits. When comparing the per member-per-month (PMPM) total drug costs of our members to the costs published by the large, national PBMs, our members' costs were considerably lower in 2017 (\$80.89 PMPM for our members vs. \$90.33 PMPM for the industry). For 2018 we expect our total drug cost to trend downwards, while industry costs are projected to rise (\$78.46 PMPM for our members vs. \$93.38 PMPM for the industry). Please refer to Chart 1 in Attachment A.

2. Benefit Development and Member Health

Navitus has worked with ETF to implement programs that affect benefit structure, control costs and improve member health. Following are some examples of the work Navitus is involved in. Staff will provide more detailed updates to these programs at a future meeting:

a. Mandatory Specialty Drug Program

The transition of the Commercial membership from using any available pharmacy – retail or specialty – to fill specialty drugs, to using only Lumicera and UW

Specialty Pharmacy occurred throughout the first quarter of 2018. There was minimal disruption to our members regarding this change due to communication, outreach and member assistance provided by Navitus, in addition to the cooperation between Lumicera and UW Specialty Pharmacy. Increased adherence, appropriate utilization and cost savings are the goals of this program.

b. New Mail Order Pharmacy Contracted by Navitus

As with the mandatory specialty drug program, the transition of members from the existing mail order vendor to Serve You, a Wisconsin based company, was met with minimal member disruption and transitioned smoothly. The communication, outreach and assistance provided by Navitus was key to the successful transition.

c. Formulary Management

In January 2018 Navitus made changes to the coverage of two drug categories to address the high cost and utilization of brand name drugs, where numerous generic alternatives or equivalents were available. Brand name drugs in the Nasal Steroids and Proton Pump Inhibitors categories were removed from the formulary, which resulted in approximately \$1 million in plan savings through May 2018, with very little opposition from members. The results of making this change are shown in Attachment B.

d. Pharmacoadherence Programs

Navitus initiated the Respiratory Health program in the fall of 2017 to identify members who may be at risk for COPD exacerbation (a sudden worsening of symptoms) and/or members with potentially uncontrolled asthma. After six months with the program in place, adherence to a prescribed drug regimen increased between 20% and 33%. Results for Asthma and COPD interventions through the Respiratory Health program, as well as the list of additional pharmacoadherence interventions that are being conducted in 2018 and 2019, can be found in Attachment B. Each pharmacoadherence intervention requires a 12-month look-back period to evaluate results.

3. Long-Term Project and Program Development

Navitus is an active participant in ETF's Council on Health Program Improvement, and regularly explores possible partnerships with other participating vendors for the benefit of our members. However, without longer contract extension periods it is difficult for ETF and Navitus to develop and implement long-term programs that offer the best opportunities to improve member health and save overall plan costs. These include:

- Continued growth and development of high quality clinical pharmacy benefit management programs;
- Exploration of additional pilot program development opportunities (e.g. high-cost drug communications, provider education partnerships, opioid abuse prevention and management programs); and

- Exploration of innovative contracting options (e.g. value-based manufacturer contracting).

If the Board approves the recommended extension, ETF will continue to work with Navitus to develop and implement the types of projects and programs mentioned above, in addition to those that are currently in-process, which include:

a. Value Based Benefits

Navitus, StayWell and ETF have begun to solidify the details for implementing a disease management program for diabetics. The program will reward members by lowering the member cost share on certain antidiabetic drugs covered by our programs if the member is adherent to their drug regimen and actively participates in StayWell's disease management program. This program is expected to ensure diabetic members are getting the appropriate treatment; have minimal roadblocks to adhering to their drug regimen; control comorbidities such as high blood pressure and high cholesterol; reduce emergency department visits and hospitalizations; and control overall plan costs associated with diabetes.

b. Data Use to Improve Member Health

Navitus has embraced the potential benefits of our data warehouse and has provided a comprehensive list of ideas of potential uses of the data. Examples of these items can be found in Attachment B.

c. Coordination/Cooperation with Participating Health Plans

Navitus is open to discussing various ways to help members when health plans that participate in our group health programs approach them about a pilot program they would like to implement. Navitus is regularly in discussions with the health plans regarding these new ideas and they cooperate whenever possible if it is in the best interests of our members and our programs.

Contract Extension Options

The current contract, which expires on December 31, 2019, provides for up to five additional years of contract renewal. ETF is recommending a two-year contract extension. If the Board does not extend the Navitus contract beyond 2019, a Request for Proposal would need to be developed and published by the end of 2018. This would allow a contract to be agreed to by June 2019 for services to be administered effective January 1, 2020.

Conclusion

The Board approved a one-year contract with Navitus in order to assess financial performance. Navitus' has exceeded financial expectations regarding pricing guarantees. In addition, Navitus is a good business partner. Its performance in looking for new ways to control costs, ensure effective program administration, and a cooperative approach results in a well-run program.

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Staff will be available at the Board meeting for questions.

Attachment A: Financial Expectations and Performance Tables & Charts
Attachment B: Benefit Development and Member Health Results

Attachment A

Financial Expectations and Performance Tables & Charts

Table 1: Commercial - 1st Quarter 2018

	Rebate per Brand Prescription		Total Rebates		Above Guarantee
	Guarantee	*Earned	Guarantee	*Earned	
Retail 30	\$88.00	\$116.01	\$4,358,904	\$5,746,491	
Retail 90	\$200.00	\$372.64	\$1,123,400	\$2,093,145	
Mail	\$250.00	\$421.93	\$168,750	\$284,803	
Specialty	\$600.00	\$787.99	\$2,108,400	\$2,769,006	
TOTAL			\$7,759,454	\$10,893,446	\$3,133,992

*Rebate dollars are estimated for claims submitted in 1Q18

Table 2: MedicareRx - 1st Quarter 2018

	Rebate per Brand Prescription		Total Rebates		Above Guarantee
	Guarantee	*Earned	Guarantee	*Earned	
Retail 30	\$80.00	\$111.43	\$1,528,640	\$2,129,180	
Retail 90	\$180.00	\$284.43	\$571,320	\$902,773	
Mail	\$180.00	\$311.51	\$106,380	\$184,100	
Specialty	\$348.00	\$468.31	\$479,544	\$645,325	
TOTAL			\$2,685,884	\$3,861,378	\$1,175,494

*Rebate dollars are estimated for claims submitted in 1Q18

Table 3: Tricast Phase 8 PBM Audit – Achieved Discounts vs. Contract Guarantees

Rule	2018 Claims		2018 Discount		2018 Contract Guarantees		
	Q1	Q2	Q1	Q2	Discount	Q1 Over/Under	Q2 Over/Under
Mail Brand	932	1,026	23.02%	23.01%	23.00%	0.02%	0.01%
Mail Generic	4,718	5,336	89.43%	89.34%	86.50%	2.93%	2.84%
Retail Brand	56,734	56,052	17.81%	17.62%	17.40%	0.41%	0.22%
Retail Generic	287,359	273,763	83.33%	84.42%	82.25%	1.08%	2.17%
Retail90 Brand	11,888	12,442	21.88%	21.96%	20.90%	0.98%	1.06%
Retail90 Generic	95,818	99,286	90.69%	90.65%	86.50%	4.19%	4.15%
Specialty	2,773	3,590	19.56%	18.30%	18.25%	1.31%	0.05%

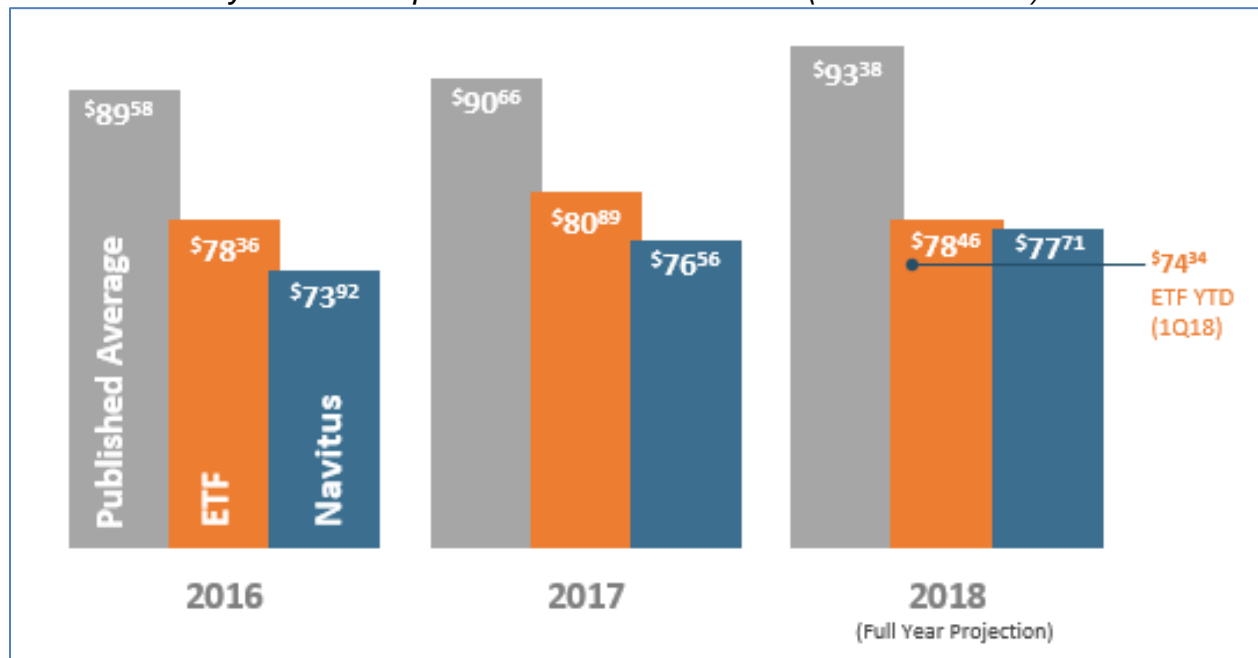
Attachment A

Financial Expectations and Performance Tables & Charts

Table 4: 2018 Savings After First Quarter (in millions)

Proposed 2018 Savings from RFP Guarantees		
Commercial	\$ 5.5	
EGWP	\$ 4.9	\$ 10.4
Additional Savings from Improved 2018 Contract Guarantees		
<i>Rebates & Discounts</i>		
Rebates – Commercial	\$ 2.3	
Rebates – EGWP	\$ 0.3	
Network Discounts – Commercial	\$ 4.1	
Network Discounts – EGWP	\$ 2.1	\$ 8.8
<i>Administrative Fees</i>		
Administrative Fee - Commercial	\$ 0.8	\$ 0.8
First Quarter 2018 Performance Exceeding Guarantees		
Rebates – Commercial	\$ 3.1	
Rebates – EGWP	\$ 1.2	
Network Discounts – Commercial+EGWP	\$ 8.7	\$ 13.0
Total		\$ 33.0

Chart 1: Industry Trend Comparison - Total Cost PMPM (Net of Rebates)



Attachment B

Benefit Development and Member Health Results

Formulary Management

Results after removing brand name drugs in certain categories from the formulary:

- Nasal Steroids
 - Plan paid costs decreased by approximately \$160,000 monthly.
 - The average plan paid cost per prescription decreased from \$48 in 2017 to \$5.60 as of May 2018.
 - Approximate savings from January through May of 2018 is \$640,000 compared to 2017
- Proton Pump Inhibitors
 - Plan paid costs decreased by approximately \$70,000 monthly.
 - The average plan paid cost per prescription decreased from \$20 in 2017 to \$6.50 in 2018.
 - Approximate savings from January through May of 2018 is \$400,000 compared to 2017

Pharmacoadherence Programs

Respiratory Health program results after 6 months:

- Asthma intervention:
 - 22.07% adherence improvement in the Commercial population
 - 33.33% adherence improvement in the MedicareRx population
- COPD intervention
 - 30.30% adherence improvement in the Commercial population
 - 33.33% adherence improvement in the MedicareRx population

Commercial Population 2018-2019 Pharmacoadherence Interventions

- Anti-depressants (began in the first quarter of 2018)
- Rheumatoid Arthritis (begins in the third quarter of 2018)

MedicareRx Population 2018-2019 Pharmacoadherence Interventions

- Oral Diabetic Agents
- Antihyperlipidemics (high cholesterol)
- Antihypertensives (high blood pressure)

Attachment B

Benefit Development and Member Health Results

Data Use to Improve Member Health

Navitus Recommendations for Data Warehouse Utilization

- Member level spend and diagnosis level data would provide a complete picture of a member's overall medical care which could help identify potential wellness opportunities to partner and collaborate with StayWell.
- Insight into medical spend at the member level could show how pharmacy programs intended to improve adherence are helping to offset medical spend in the form of better member health and decreases in hospitalizations for new value-based benefit designs that could be implemented.
- Access to medical data can provide insight into how adherence and proper use of high cost specialty medications can decrease medical costs and bring value to the member's overall health.
- Using the member's medical data in an automated process to streamline or expedite prior authorizations for the pharmacy benefit can decrease the administrative burden on prescribers and allow for quicker decisions, which allows members to access their medications and start therapy sooner.
- Claim level data can provide ETF with a better understanding of the medical drug spend, which in turn can lead to possible cost saving opportunities by determining whether pharmacy or medical claims processing is the most advantageous.