

Let's Be Clear: Transparency Is Key to Drug Costs

By Samuel H. Fleet

Prescription drug usage and costs continue to rise, driving soaring increases in health care premiums – and creating a frenzy among health plan administrators to find ways to take control of this runaway portion of their budget. Increasingly, they are looking for Pharmacy Benefit Management (PBM) partnerships that they can trust to bring them the lowest prices without cutting off members from necessary drugs.

What administrators want – besides lower costs – is transparency. But what they are finding in today's market is that transparency may be in the eyes of the beholder. Too many PBMs tout transparency but still keep much of their behind-the-scenes dealings hidden. They also keep their employer partners in the dark about what the annual tab is going to look like. Careful shoppers, however, can use a few key criteria to find the right PBM partnership.

Through the Looking Glass

Like Alice during her adventures in Wonderland, it is easy to become entangled in the intricacies of drug pricing and purchasing. Historically, PBMs dangled deep discounts and low administrative costs in front of plan administrators, who benefited from having the PBM negotiate price rebates from drug companies, arrange bulk dispensing discounts from pharmacies and take over the specialized pharmaceutical benefit administrative burden.

Over time, plan administrators began to question whether they were receiving all the benefits they could. Were PBMs actually interested in cutting the best deal for the plan administrator – or were they more interested in steering drug purchasing decisions toward maximizing the complicated rebate and discount arrangements that they could then take a slice of? Just how were they making money – and was it at the expense of the plan owners?

A Shopping List

As plan administrators became more sophisticated about dealing with PBMs, transparency became the new buzzword. But transparency often meant different things to different PBMs. Nonetheless, there are key criteria that can make a difference when selecting a PBM. Here are a few:

1. **Per-member pricing.** If administrative charges are based on the number of transactions, then an employer has very little assurance that transactions won't multiply and costs won't rise without warning. Per-member pricing provides a total cost for administration upfront, where it belongs.
2. **Rebate ownership.** Rebates and volume discounts should pass through to the employer rather than becoming a source of profit for the PBM. That way the profit motive is eliminated from decisions about why some drugs are on a formulary and others are not.
3. **Independence.** If a PBM is affiliated with other industry-related companies, there will always be the question of how decisions are made and whether the best deals are being negotiated. Look for a PBM that has no strings but a solid track record of performance as an independent entity.

4. **Rich formulary.** Most formularies are based upon their rebate potential. While rebates are thought to be a financial savior to an organization, rebates comparisons should be a tertiary line of consideration. Providing the correct medications within a therapeutic class requires appropriate clinical judgment in choosing particular therapies. A PBM that provides therapeutic efficacy based on literature search and outcome research will play an important role in your members' access to medications.

5. **Consumer education support.** Where once the trend was to hike co-pays to convince consumers to be selective about their drug usage, studies are now finding that the non-compliance that results from high co-pays is more costly in the end. What is more effective is reaching out to members with education that will help them understand their options and make smart choices. PBMs that can help with this educational effort add real value to their partnership with plan administrators.

Balancing Costs with Effectiveness

When it comes to transparency, it isn't necessary to have modifiers like "pure," "absolute" or "complete." The dealings are either clear, or they aren't. Employers want to provide their members access to appropriate, effective drugs at the lowest possible cost. Finding the right PBM partnership can help them accomplish both goals.

Samuel H. Fleet is president of AmWINS Group Benefits Division. He can be reached at sfleet@nebenefit.com.