Niche Contracting for Disease States, Oncology, Hepatitis, Hemophilia

3rd Annual PBM Contracting - Methodologies for Contract Innovations

August 22-23, 2017

COTTRILL’S SP

4919 Ellicott Rd, Orchard Park, NY 14127
Agenda

I. Why Niche Contracting?
II. Role of Independent Specialty Pharmacies
III. Types, Examples, Limitations of Niche Agreements
IV. PBM’s and DIR Fees
V. Hemophilia Case Study
VI. Manufacturers and Value
VII. Future State of Niche Contracting and Risk Sharing
With a projected increase of 6.4% annually, prescription drug costs require new ways to control trend.

Forecasts include the impact of the Patient Protection and Affordable Care Act. Source: Pembroke Consulting analysis of National Health Expenditure Accounts, Office of the Actuary in the Centers for Medicare & Medicaid Services, July 2015. Published on Drug Channels (www/DrugChannels.net)
Why the Need for Niche Contracting?

Focusing on populations with specific medical conditions can result in substantial savings or payors.

- Must understand key cost drivers
- Specialty Pharmacy increases now known to exceed all other categories
- Formulary management
- PBM reform
- Alternative models of care need to be accepted
- Greater demand for alternative sites of care
The well-functioning independent specialty pharmacy delivers a level of care unmatched by national or mail order pharmacies.

- Adherence
- Fewer complaints
- Reduction or elimination of E/R and Hospitalization
- Satisfaction Surveys
- Cost Reduction
- Improved Quality of life
ISP’s offer an array of patient centric services including:

- Specialized product handling
- Focused patient counseling and support
- Adverse event collection
- Process standardization
- Quality assurance initiatives
- Patient financial support programs
- Enhanced clinical data management
- Extended payer interaction support and documentation
- Prescriber or office care initiatives
Nationally recognized accreditation organizations as third party agents provide proof of competency of Specialty Pharmacies

- ACHC – “deeming authority” required for Medicare, focus on admin/HR structure, care records, quality outcomes and risk management.
- URAC – review P&P necessary for successful patient outcomes.
- CPPA – focus on clinical product offering - high level of care, quality and safety.
- ALSO: Certified Specialty Pharmacist, dual accreditations and disease care management programs.
“A state of complete physical, mental and social well-being and not merely the absence of disease or infirmity” - WHO

- Understanding the effects of chronic disease on mental health.
- Understanding the impact of social condition and its impact on patient adherence.
- Holistic = Person centered healthcare
- Balance can lead to a “normal life”.

Holistic Care across the Full Continuum
Population Management identifies a specific subset of beneficiaries with a unique set of health care attributes. Contracts can be established to deliver value-based care with objective results.

- Age or sex driven
- Community focus
- Employer specific
- Chronic disease status
Risk based or “downside care” unlikely to gather steam.

- Clinical pathways (requires enhanced infrastructure)
- Cancer care costs not likely to decline anytime soon.
- More employed vs independent oncologists.
- Closed formularies
- Application of “value frameworks”.
- Deselection – too sick.
- Episode (incentive not to use new expensive drugs)
- Danger of stinting of care

www.cottrillspharmacy.com
Problem with upside only arrangements - “you will only work harder when you have something to lose vs. something to gain.”

- Take risk from physicians and patients and place it on Payers and Pharma!
- Oncology Care Management (OCM)
- S/B outcomes
- “Big Data” requirements
Payers are continuing to mandate program QA, UM and other administrative mandates subject to audit and network termination.

- Reinforce member care management agreement
- Sustained virologic response reporting
- Constant telephonic/ or in-person contact
- Documentation on adherence
PBM Contracting Approaches

**TRADITIONAL PRICING**

Allows PBM to structure the Sponsors “deal” with few limitations on potential revenue streams, **with limited or no disclosure.**

**TRANSPARENT PRICING**

Allows PBM to structure the Sponsors “deal” with limitations on potential revenue streams, **but requires disclosure to Sponsor.**

**PASS-THROUGH PRICING**

Allows PBM to structure the Sponsors “deal” with **strict limitations** on potential revenue streams, **but also requires disclosure to Sponsor.**
Common traditional contracting methods use levers to manipulate where the money ends up.

- **GENERIC DISCOUNTS**
- **BRAND DISCOUNTS**
- **REBATES**

- PBM
Many traditional PBMs re-classify generics as brands, acquiring the medication at the (deeper) generic discount and reselling to the plan sponsor at a (lesser) brand discount, retaining the spread income.

Retail Network contact definitions don’t mirror client contracts thus creating opportunity for increased “spread” and thus financial gain by the PBM.
Effective pharmacy cost management necessitates self-funded employers challenge PBM administrators on cost and rebate transparency.

- Ability to carve-out cases or disease states
- Pharmacy or medical benefit? Why?
- Have you identified potential conflicts of interest?
- Does your PBM own its own specialty pharmacy?
- Do you arrange on-site medical reviews by independent parties? Audits?
- Strong specialty pharmacy contracts with transparent terms are essential!
- Terms and termination
PBM’s - Future State

- Already early signs of intervention by the new administration
- Greater transparency on all PBM revenues
- Specialty niche pharmacies with P4P and tiered pricing
- Collaboration with Reinsurers and Stop Loss carriers
- Greater competition through a “level playing field”
Niche Contracting for Hemophilia – Challenges and Opportunities

- Least managed of all disease states
- Reduced E/R and hospitalization
- Holistic approach with active lifestyle
- Patients demand superior services
- Niche specialty providers
The ability to carve-out patients with certain disease states can result substantial plan savings.

- 32 yr. old male employee with severe hemophilia
- Large national self-insured employer
- Large PBM owning its own specialty pharmacy
- Recurrent servicing problems.
  - No assigned case manager
  - Wrong supplies
  - Previously opened medication
- Covert relationship between PBM, SP and consultants
  - Delays and misinformation

Hemophilia Case Study

www.cottrillspharmacy.com
## Carve-Out Results – Unit Price Only

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Name: RD</td>
<td></td>
</tr>
<tr>
<td>Employer Quote</td>
<td></td>
</tr>
<tr>
<td>Kogenate</td>
<td>J7192</td>
</tr>
<tr>
<td>Avg. Monthly Units</td>
<td>67,620</td>
</tr>
<tr>
<td>Specialty Pharmacy Charge</td>
<td>$99,874.74</td>
</tr>
<tr>
<td>Charge / Iu</td>
<td>$1.48</td>
</tr>
<tr>
<td>AWP</td>
<td>$1.75</td>
</tr>
<tr>
<td>%AWP</td>
<td>85%</td>
</tr>
<tr>
<td>Cottrill’s Offer (Medicare, ASP+6%)</td>
<td>$1.18</td>
</tr>
<tr>
<td>%AWP</td>
<td>67%</td>
</tr>
<tr>
<td>Avg. Monthly Units</td>
<td>67,620</td>
</tr>
<tr>
<td>Cottrill’s Charge</td>
<td>$79,586.00</td>
</tr>
<tr>
<td>Monthly Savings</td>
<td>$20,286.00</td>
</tr>
<tr>
<td>Annual</td>
<td>$243,432.00</td>
</tr>
</tbody>
</table>
## Task/Observation vs Findings/Intervention

<table>
<thead>
<tr>
<th>Task/Observation</th>
<th>Findings/Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review bleeding history</td>
<td>Consultation with Physician</td>
</tr>
<tr>
<td>PFA visit &amp; full interview</td>
<td>Missed days worked, infusion supplies customized</td>
</tr>
<tr>
<td>Nurse visit</td>
<td>Educational review / Infusions logs now completed AND reported, recommendations for activity level increase – patient self-infusing</td>
</tr>
<tr>
<td>Missed infusions/ unused PRN dosages leading to excess inventory</td>
<td>Eliminate PRN dosage for 6 months. Refill based on need only.</td>
</tr>
<tr>
<td>PFA – follow-up</td>
<td>Minimum monthly visit</td>
</tr>
<tr>
<td>Bleeding to target joints</td>
<td>Just 2 reported bleeds post intervention</td>
</tr>
<tr>
<td>High level patient satisfaction</td>
<td>Full compliance – activity level increased</td>
</tr>
</tbody>
</table>
Payor Savings Through Assay Management

Having access to national vial inventories can optimize employer savings well within prescription requirements.

<table>
<thead>
<tr>
<th>Dispense Date</th>
<th>1/28/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max. Fill Potential (Based on Available Vials)</td>
<td>108.8%</td>
</tr>
<tr>
<td>Actual</td>
<td>98.87%</td>
</tr>
</tbody>
</table>

**PAYOR SAVINGS 8.83%**

<table>
<thead>
<tr>
<th>Reimbursement per unit</th>
<th>$1.20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement at Max Fill</td>
<td>$128,352</td>
</tr>
<tr>
<td>Actual cost for claim</td>
<td>$117,936</td>
</tr>
<tr>
<td>Potential Additional cost over actual</td>
<td>$10,416</td>
</tr>
<tr>
<td>Estimated Savings over 12 months</td>
<td>$124,992</td>
</tr>
</tbody>
</table>
Can Manufacturer’s Take Meaningful Risk?

- Pay on outcomes based on same results of clinical study.
- “Price for Performance” (e.g. Merck Januvia, Janumet)
- PCSK9 inhibitors vs older statins.
Successful PBRSA’s will include the following:

- Clear relation between drug to outcome
- Can it be measured?
- Is manufacturer willing to deal?
- What is the benefit to the payer?
- Noted variability in patient response
- The drug is “overpriced”
Demonstrating “value” in new drugs

Has innovation hit the wall on common ailments? *

- Diabetes – do convenient treatments using Tresiba long acting insulin – Novo Nordisk
- High Cholesterol – are PCSK9 Inhibitors at $14k/yr better than older statins?
- Heart Disease – Entresto for CHF (Novartis) superior to ACE inhibitors?

* WSJ 8/16/17
Government and Employer Marketplaces will continue to apply pressure on both suppliers and purchasers of specialty care products.

- PBM Regulation – Anthem/ESI and CVS suits
- ERISA challenges/violations
- Employer coalitions – Health Transformation Alliance
- Pharmacy “Care” Management – Efficiency Indices
- Accountable Care Organizations
- Manufacturer risk taking