

PBMM news



SAVE THE DATE FOR 2006 CONFERENCE

PBMI's 11th annual
Prescription
Drug Utilization
Management
Conference will be held
April 26-28, 2006 at
The Scottsdale Plaza
Resort in Arizona.

Winter 2006

Michael H. Deskin, President
PO Box 27831
Tempe, AZ 85285-7831
Tel: 480-730-0814
Fax: 602-241-6914
pbmi@pbmi.com

PBM News is published
quarterly by PBMI. Your
ideas for the newsletter
are welcome. Please write
to us c/o PBMI.

©2006 PBMI, Inc.

TRANSPARENCY DEBATE DRIVES GOAL ALIGNMENT

Industry debate and marketing rhetoric about the transparency of plan sponsor-pharmacy benefit manager (PBM) contracts is in full swing, with few public domain proof statements about its net economic impact. PBMI's employer satisfaction research suggests that these transparency discussions may, at a minimum, be helping to improve employers' satisfaction levels with PBMs.

One of the core concerns related to transparency is whether a PBM's goals are aligned with those of its employer customers. Is the PBM motivated to act in the employers' best interest? As a result, PBMI added a question to its annual PBM customer satisfaction survey in 2004 to better understand how employers perceive goal alignment. This question asked survey respondents: Do you think your PBM's goals are aligned with your company's goals?

PBMI's annual research study surveys U.S. employers with more than 2,500 employees about their satisfaction levels on Overall Service & Performance of PBMs and a variety of service functions. The research is designed to provide employers with information to design and manage PBM services.

In 2004, 82% of employers surveyed answered "yes" to the alignment question. This number increased to 85% in the 2005 survey. The trend toward increased goal alignment also occurs in PBM-specific findings as shown in Table 1. Measurable increases in goal alignment is seen in the findings for three out of four PBMs where data were available for 2004 and 2005.

Table 1: Employer-PBM Alignment Increase

PHARMACY BENEFIT MANAGER	2004 PERCENT OF EMPLOYERS PERCEIVING GOAL ALIGNMENT WITH PBM	2005 PERCENT OF EMPLOYERS PERCEIVING GOAL ALIGNMENT WITH PBM
PBM A	82% N=472	85% N=416
PBM B	87% n=15	91% n=11
PBM C	76% n=95	80% n=66
PBM D	77% n=79	78% n=83
PBM E	100% n=17	91% n=23

NOTE: Small n values do not add to large N values because not all survey observations are included in PBM-specific findings because two years of data were unavailable for all PBMs addressed in report findings.

Transparency Debate, continued on page 2

INDUSTRY EXPERTS, DECISION MAKERS CONVENE AT CONFERENCE

Industry benchmarks, benefit consultants, and pharmacy benefit managers are valued external influencers on pharmacy benefit planning and decision making, according to a 2004 survey¹ of U.S. human resource executives and corporate medical directors conducted by the American College of Occupational and Environmental Medicine. Attendance at the Pharmacy Benefit Management Institute's (PBMI) 2006 Prescription Drug Utilization Management Conference provides networking opportunities, access to industry experts, and an educational forum to support drug benefit design and administration. The meeting will be held from April 26-28, 2006 at the Scottsdale Plaza Resort in Scottsdale, Arizona.

Topics and case studies include the value of compliance, electronic prescribing, evidence-based formulary design, management of physician prescribing patterns, in-house pharmacy, emerging PBM transparency standards, and Medicare Part D.

The conference agenda and lodging information is online at www.pbmi.com/conference.asp.

CE Credits for HR Professionals

The PBMI conference qualifies for recertification credit for the Certified Compensation Professional (CCP®), Certified Benefits Professional (CBP™) and Global Remuneration Professional (GRP®)

2006 Conference, continued on page 4

¹How Companies Consider Value in Health Policy and Design: Results of the Survey of Employer Decision-making for Health and Productivity accessed online at www.aacoem.org.

NEW QUESTIONS

To better understand employer satisfaction levels, PBMI added two new transparency questions to its 2005 survey. The questions focus on transparency surrounding the employer-PBM financial relationship in an effort to capture accurate data.

1. How transparent is your financial relationship?

- Completely Transparent
- Somewhat Transparent
- Not Transparent

2. How satisfied are you with the transparency of your financial relationship with the PBM:

- Extremely Satisfied
- Somewhat Satisfied
- Somewhat Dissatisfied
- Extremely Dissatisfied

Figures 1 and 2 map the distribution of responses for all PBMs combined and six individual PBMs with in-depth profiles in the 2005 survey report. The distribution for level of financial transparency is similar for all of the PBMs as shown in Figure 1. The majority of employers-50% or more of employers for all but one PBM-report “Somewhat Transparent” financial relationships. The distribution of satisfaction responses with the reported level of transparency also is similar among PBMs. Less than 10% of any one PBM’s employer customers are “Extremely Dissatisfied” with reported levels of financial transparency.

IMPLICATIONS FOR OVERALL SATISFACTION

It appears that PBMs are responding to employers’ transparency issues. The trend of employers perceiving their PBM’s goals are aligned with their company’s goals is an indication that PBMs are responding to the questions raised in the transparency debate. (See Winter 2005 issue of *PBM news* at www.pbmi.com/pbmnews/V9N3.winter05.pdf for discussion on transparency practices.) The similar distribution of responses to the

Figure 1: Level of Transparency in Financial Relationship with PBM

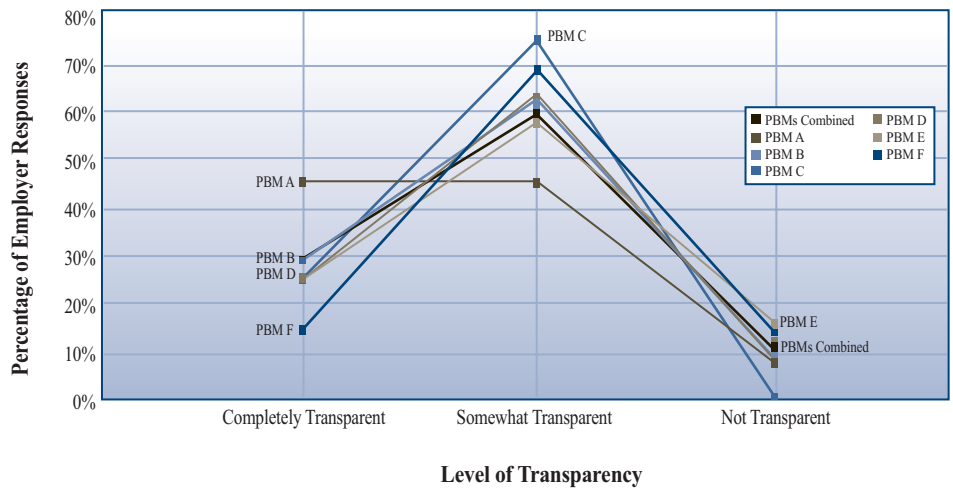
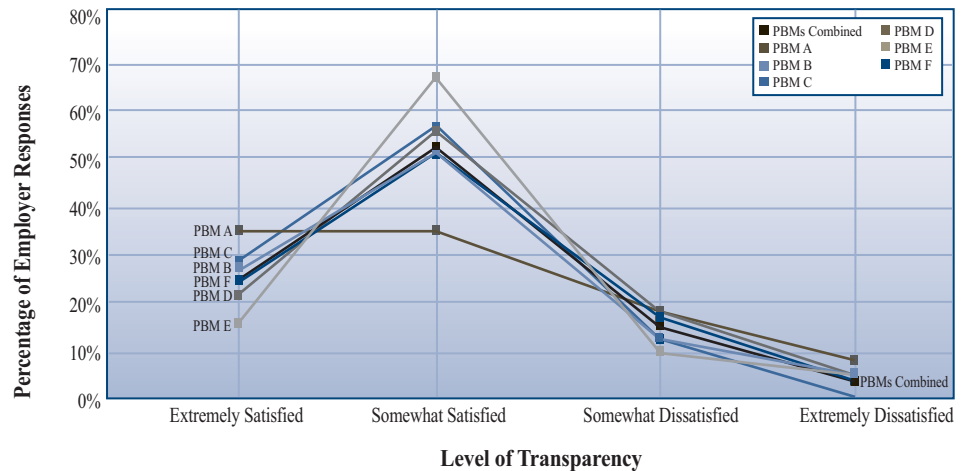


Figure 2: Satisfaction with Reported Level of Financial Transparency



survey questions on degree of financial transparency and satisfaction with that level affirms common wisdom that the transparency debate will continue as plan sponsors assess the true impact on net drug benefit costs.

For more information about employer satisfaction with their pharmacy benefit managers, order a copy of *The 2005 Pharmacy Benefit Manager Customer Satisfaction Report* from PBMI at www.pbmi.com/acss.asp or by phone at 480-730-0814. ●

COALITION SETS STANDARDS

The HR Policy Association Pharmaceutical Purchasing Coalition of 52 employers has developed a model for transparent contracting with PBMs that includes standards called Transparency in Pharmaceutical Purchasing Solutions (TIPPS). The coalition has certified several PBM vendors that meet its TIPPS standards.

Marisa L. Milton, JD, associate general counsel and director of health care policy for the HR Policy Association; will present a session titled, “Emerging PBM Transparency Standards,” from 8:30 am to 9:15 am on Friday, April 28, as part of PBMI’s 11th annual Prescription Drug Utilization Management Conference.

SPECIALTY PHARMACY INCREASES COMPLEXITY OF DRUG BENEFIT

It is challenging enough for plan sponsors to review proposals for the retail and mail service components of a drug benefit program. Now, plan sponsors also have to identify their needs and objectives for a specialty pharmacy benefit. Although commonly presented as an integrated, single offering by PBMs, each prescription delivery option—retail, mail, and specialty—presents its own set of administrative, operational, clinical, and financial issues.

Historically, specialty pharmacy was used for high cost, low prevalence diseases such as hemophilia. Figure 3 illustrates the conditions and diseases such as rheumatoid arthritis, hepatitis C virus, and psoriasis that are increasingly being treated with injectable and biologic agents. The incidence of these diseases is projected to increase over time which also will increase specialty pharmacy expenditures.

Although specialty drugs are dispensed through the mail, typically, specialty pharmacy average wholesale price (AWP) discounts are not as great as those for drugs commonly dispensed through mail-service pharmacies and, depending upon the PBM, may vary by drug. This is because of the

differences in how specialty drug manufacturers price drugs but also because of the additional services required to distribute and manage the use of these drugs.

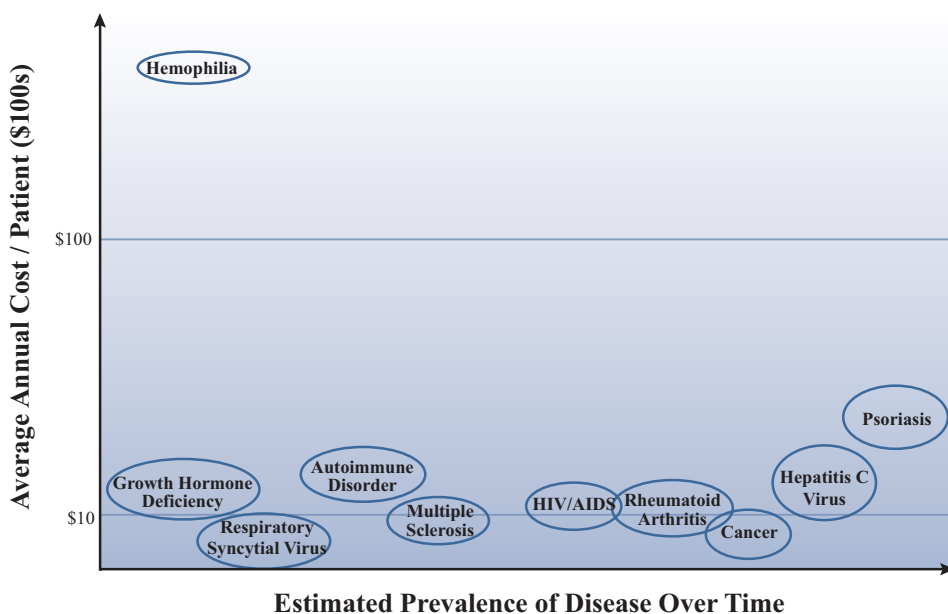
Distribution Decisions

As plan sponsors learn more about evaluating PBM proposals and managing specialty pharmacy contracts, one concern that has been identified is the PBM's decision about which drugs are dispensed by the mail and specialty pharmacies. If a drug is dispensed at the specialty pharmacy that could be dispensed at the mail-service pharmacy, the cost may be significantly greater for the plan sponsor.

Based on conversations with industry consultants and plan sponsors, there appears to be some distribution creep occurring in the marketplace. Meaning, drugs formerly dispensed by mail-service pharmacies are being shifted to specialty pharmacies resulting in higher costs to plan sponsors. One example, often mentioned is the distribution of Immitrex®, an injectable used to treat migraine headaches.

Specialty pharmacy was created to deal with special drugs used to treat complex disease

Figure 3: Increasing Number of Diseases Treated with Specialty Pharmaceuticals



Source: Figure used with permission from PharmaCare, copyright 2005.

EXPLORE ECONOMICS, CLINICAL ISSUES

There will be two sessions dedicated to specialty pharmacy issues during PBMI's 11th annual Prescription Drug Utilization Management Conference.

Randy Vogenberg, RPh, PhD, senior vice president and national practice council leader for Aon Consulting Life Sciences Practice; will present a session titled "Economics of the Specialty Pharmacy Benefit," from 10am to 10:45am on Thursday, April 27.

"Disease Management Strategies for Specialty Pharmacy" will be co-presented from 3:15 pm to 4 pm also on April 27 by John R. Zevzavadjian, RPh, vice president of account management; and Pauline T. Coderre, RPh, MS, director of clinical program management; both of PharmaCare.

states. Because of pricing discount differences, specialty pharmacy should not be used to dispense drugs that can be dispensed more cost effectively from traditional mail-service pharmacies. It is important that plan sponsors understand which drugs are best dispensed by retail, mail, and specialty pharmacies.

As plan sponsors become more familiar with the specialty pharmacy benefit, they will become more familiar with how to evaluate specialty pharmacy performance, economics, and distribution channel management. Plan design decisions and PBM oversight will need to be made with clinical guidance from pharmacists and physicians to ensure plan members get the right drug at the right time dispensed through the right distribution channel with sufficient care management support to optimize treatment outcomes. ●

NEWS BRIEFS

2006 Conference, continued from page 1

designations granted by WorldatWork Society of Certified Professionals. For more information on recertification, visit the Society website at www.worldatworksociety.org.

This conference, ORG-PROGRAM-1626, has been approved for 13.0 recertification credit hours toward PHR, SPHR and GPHR recertification through the Human Resource Certification Institute (HRCI). Please be sure to note the program ID number on your recertification application form. For more information about certification or recertification, please visit the HRCI homepage at www.hrci.org.

CPE for Pharmacists

The University of Arizona College of Pharmacy is accredited by the Accreditation Council for Pharmacy Education as a provider of continuing pharmaceutical education. Participants attending all PBMI sessions will be awarded 14 contact hours of continuing education credit. Statements of credit will be mailed four weeks after the program. ACPE Program Number: 003-999-05-071-L04.

Sponsorships and table-top exhibits are available. For more information, visit PBMI at www.pbmi.com or call 480-730-0814. ●

RESPONDENTS WIN PASSES

Representatives from Battelle Memorial Institute, DakotaCare, and Philips Services Corp. have each won a complimentary three-day pass to PBMI's Prescription Drug Utilization Management Conference. They were selected in a random drawing.

Survey participants who complete a Pharmacy Benefit Management Customer Satisfaction and/or Prescription Drug Benefit Cost and Plan Design Survey for PBMI's annual reports are automatically entered into the drawing for complimentary conference admission. Interested in responding to the surveys for our 2006 reports? Please contact us at pbmi@pbmi.com. You will receive a complimentary copy of the research report for each survey to which you respond.

ENJOY REWARDS OF BECOMING A MEMBER OF PHARMACY BENEFIT MANAGEMENT INSTITUTE

Join PBMI for research-based information on designing and managing pharmacy benefit programs. PBMI membership is open to plan sponsors, pharmacy benefit managers, and the organizations involved in supporting drug benefit delivery.

Join today by visiting www.pbmi.com or calling 480-730-0814.

REGISTER NOW FOR
CONFERENCE IN
SUNNY ARIZONA
Register now at
www.pbmi.com for PBMI's
11th annual
Conference to be held
April 26-28, 2006

Address Service Requested

P.O. Box 27831
Tempe, AZ 85285-7831

