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Strategic Risk Solutions

PBM Close-Up: Is Your Pharmacy Benefit Manager Aligned with Your Health Plan and Captive?

2025 Client Symposium

Presenters:

Mark Davenport

National Director of Business Development

TrueScripts

Kyle Johnson

Vice President of Sales

ClearScript

Wendy Dine

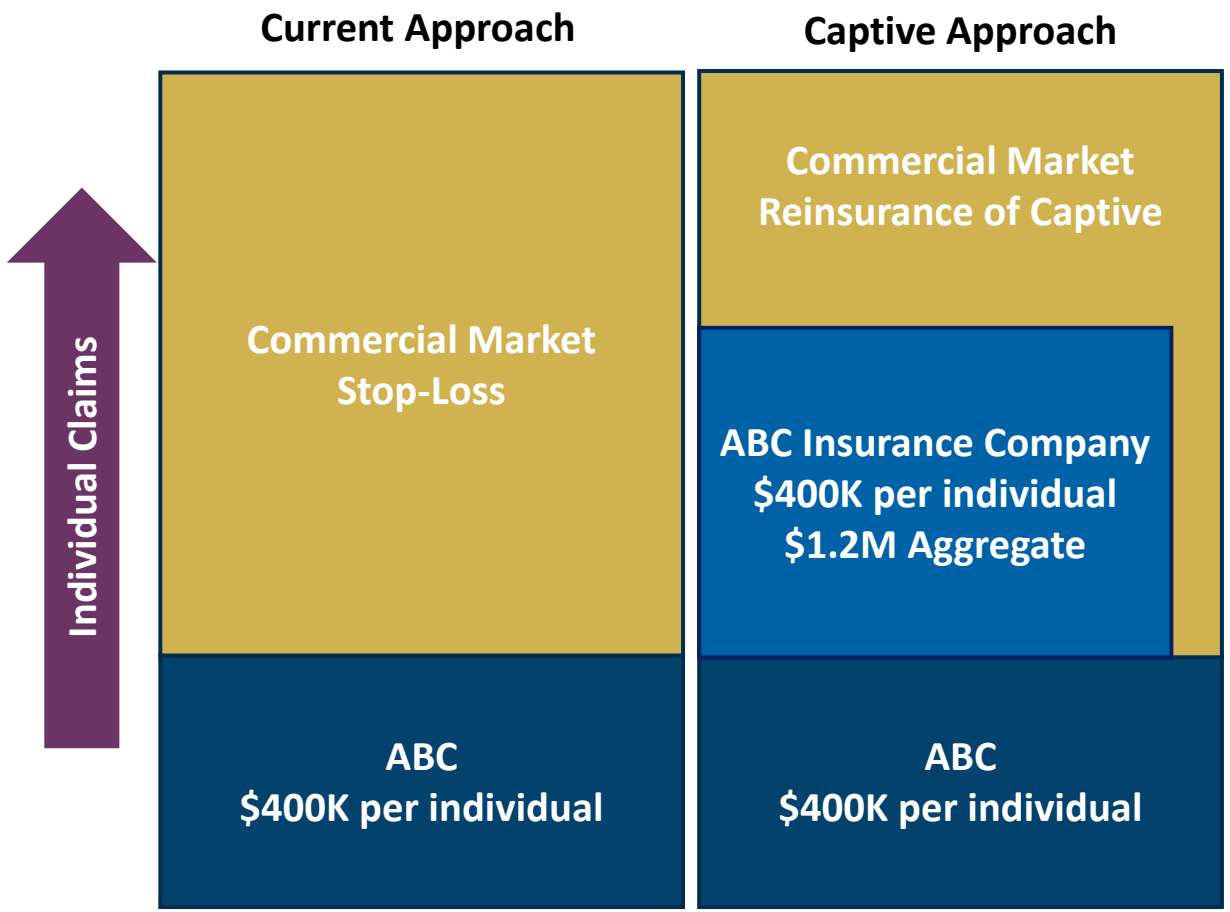
Director

SRS Benefit Partners

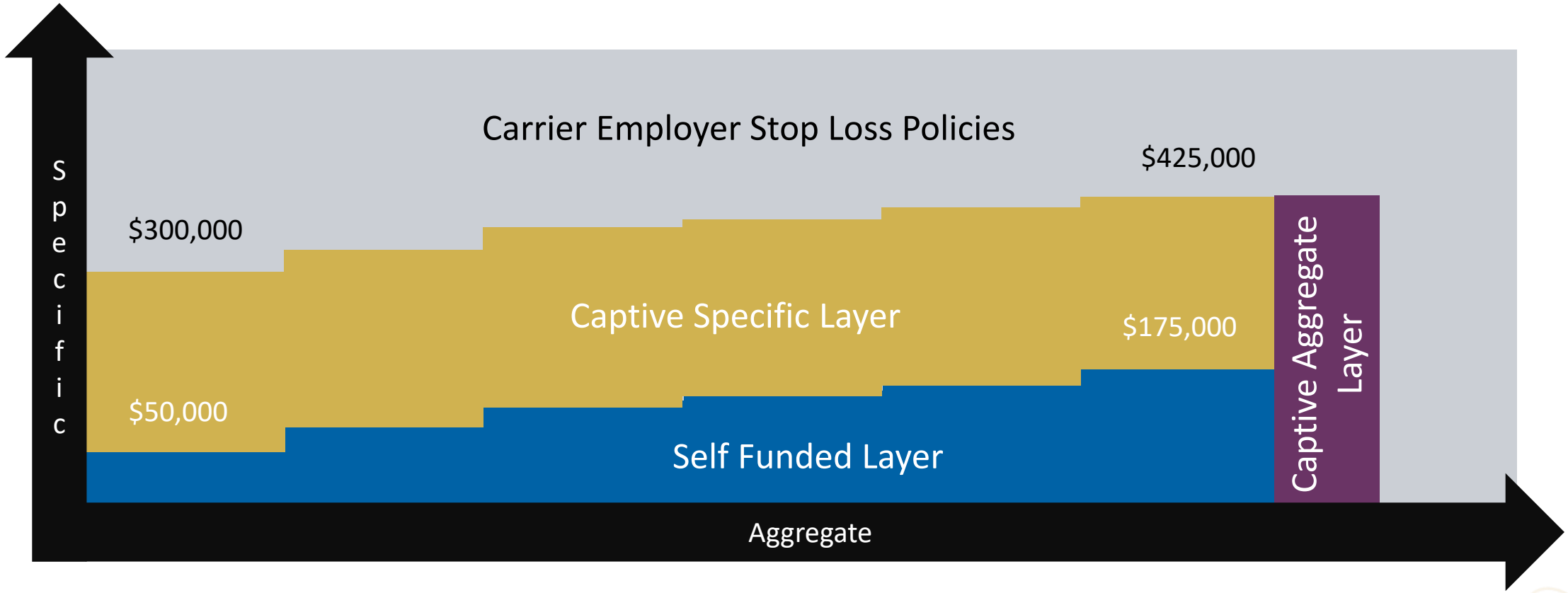
Agenda

- The use of captives for medical stop-loss (MSL)
- The role of a pharmacy benefit manager (PBM)
- Escalating pharmacy costs
- Five questions to ask your PBM
- 340B
- Where to go from here
- Q&A

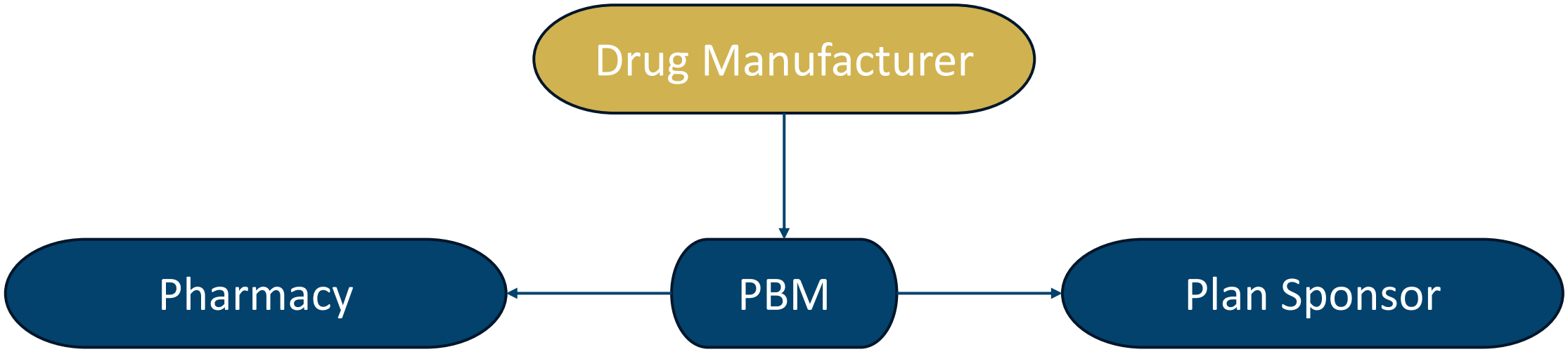
Captive Structure: Single Parent



Captive Structure: Group



The Role of a PBM



Current State and Challenges

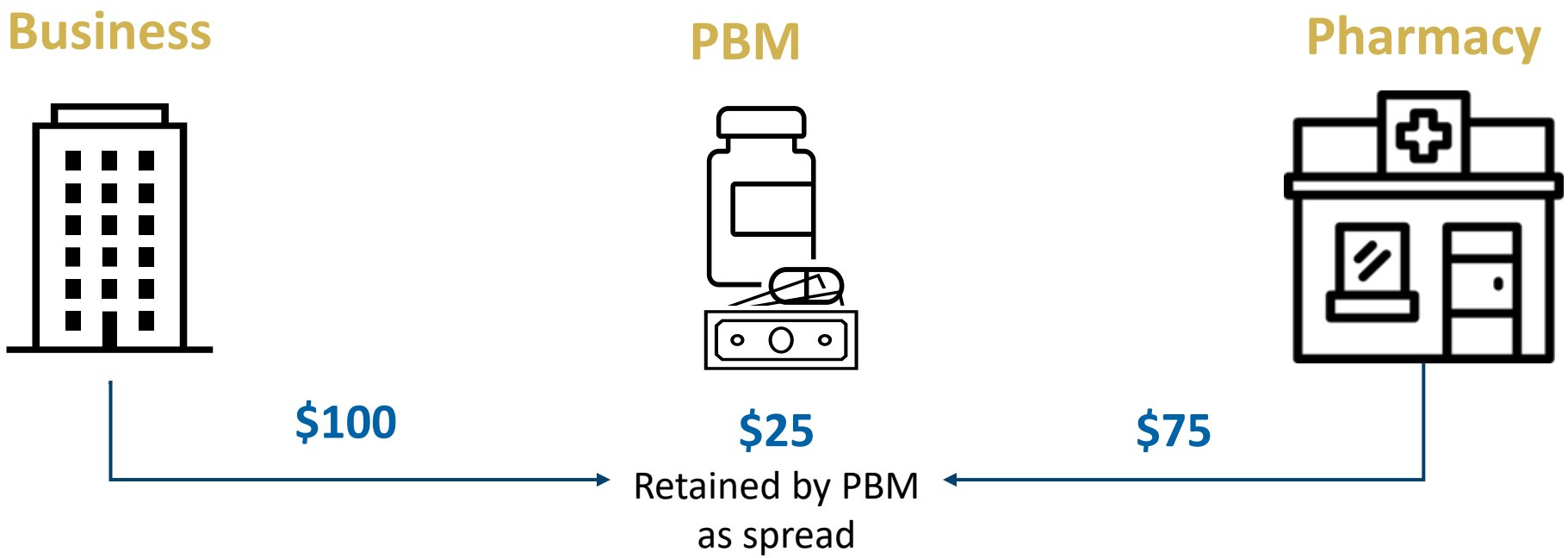
Current State

- Rx cost is unsustainable
- Members are increasingly becoming less healthy
- Organizations looking for cost savings strategies
- Lack of transparency and agendas impact strategies
- Revenue grab dilutes saving and impacts decisions

Challenges

- Finding a willing CE
- Contractual agreements
- Establishing care
- Ongoing auditing and support
- Intense scrutiny

Question One:
Does your PBM practice Spread Pricing?



Question Two:
Who owns your PBM

Ownership may dictate business practices such as:

- Contract Terms
- Pricing
- Formulary design
- Favorable pharmacies
- Rebate and drug manufacturer revenue

Question Three:
Does your PBM retain rebates?

- Higher priced drugs can produce larger rebates.
- The bigger the rebate, the more revenue for the PBM.
- This can result in the employer sponsored plan and member paying more overall.

Drug	A	B
Ingredient Cost	$900	$700
Rebate	$500	$400
Net Cost	$400	$300

Question Four:
Are you giving up rebates to reduce administration costs?

ASO Fees (PEPM)	Current	Year 1	Year 2	Year 3
Plan Year	01/01/23 through 12/31/23	01/01/24 through 12/31/24	01/01025 through 12/31/25	01/01/26 through 12/31/26
Choice + H.S.A	$37.20	$37.20	$38.13	$38.89
Medicare		$37.20	$38.13	$38.89
RX Rebate Credit		-$36.19	-$41.89	-$42.15

Question Five:
How are Specialty Drugs Managed?

Specialty Drugs:

- Profitable to dispense by PBM-owned specialty pharmacies
- Generate rebates and/or other manufacturer revenue for PBMs

How they should be managed:

- Patient Assistance Programs
- Copay Cards
- International Sourcing

Let’s talk 340B

- What is 340B?
- What role does a PBM play in 340B program?
- What is currently being discussed in terms of 340B?
- What are the opportunities?
- What are the challenges?

Background

Regulated by the Health Resources & Services Administration (HRSA)

Established in 1992

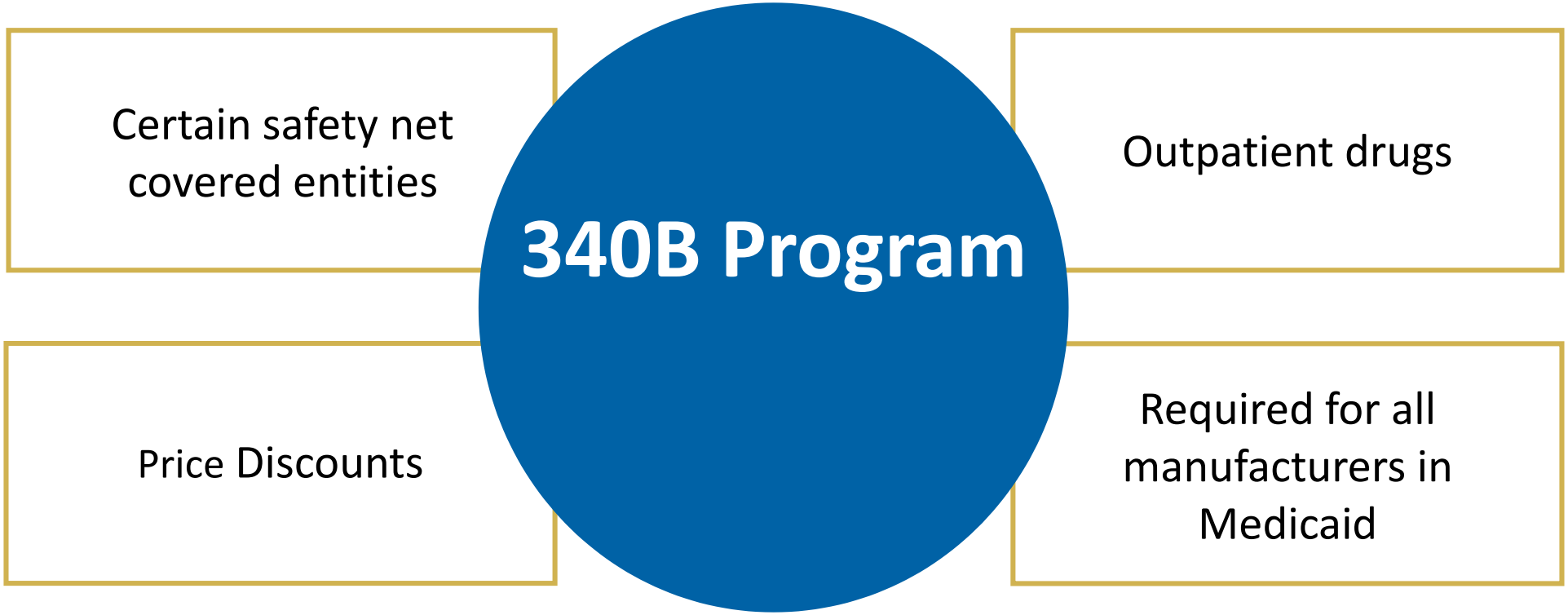
Section 340B of the Public Health Service Act

Requires manufacturers to sell “covered outpatient drugs” to certain “covered entities (Ces)” at greatly reduced prices

Includes two major prohibitions:

1) Diversion to non-340B patients
2) Duplicate discounting

340B: Background



Eligible Entities

Federal Grantees

- Comprehensive hemophilia treatment centers
- Federally qualified health centers/lookalikes
- Urban/638 health center
- Ryan White programs
- Sexually transmitted disease/tuberculosis
- Title X family planning

Eligible Entities

Hospital Types

- Disproportionate Share Hospitals (DSH)
- Children's Hospitals
- Critical Access Hospitals (CAH)

- Free-Standing Cancer Hospitals
- Rural Referral Centers
- Sole Community Hospitals

Critical Access Hospitals (CAH)

Must be designated by the Center for Medicare and Medicaid Services (CMS) as a Critical Access Hospital.

CMS Requirements

Located in a State with:

Established rural health plan for MRHFP State Grants.

24/7 emergency services.

Less than 25 inpatient beds/avg. length of stay of < 96 hours.

Designated a necessary provider by state by 12/31/2005 or located more than 35 miles from another CAH or hospital.

Critical Access Hospitals (CAH)

Must be designated by the Center for Medicare and Medicaid Services (CMS) as a Critical Access Hospital.

Health Resources & Services Administration (HRSA) requirements

Non-profit (public or private) with granted governmental powers by State or local government.

Owned or operated by the State or local government.

Private non-profit contracted with the government to provide healthcare services to low-income eligible individuals.

Disproportionate Share Hospitals

HRSA Requirements for 340(B)

Must meet Social Security Act definition and be one of the following:

Subsection hospital owned or operated by government

Public or private non-profit granted powers by a unit of government.

Private non-profit contracted with government to provide services to low-income individuals who don't qualify for SS or state benefits.

Disproportionate share adjustment % greater than 11.75% & doesn't obtain covered outpatient drugs by any group purchasing arrangement.

Serve a significantly disproportionate number of low-income patients.

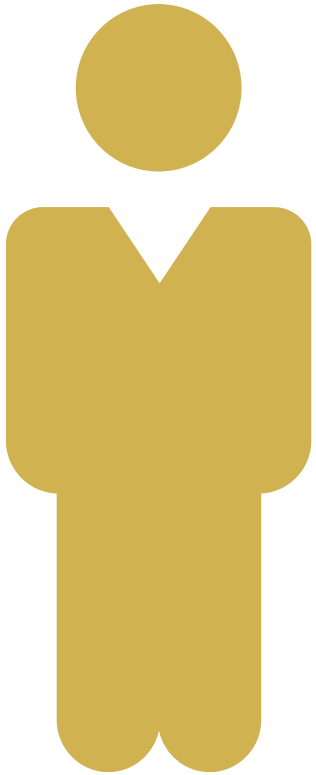
Defined in Section 1886(d)(1)(B) of Social Security Act.

Patient Definition

For eligibility, **three components** must always be considered regarding the individual and his/her associated prescription:

1. Entity has established a relationship and maintains records of care.
2. Patient must receive healthcare services from healthcare professional employed/contracted with entity, and entity must maintain responsibility for the care provided as well as medical documentation.
3. Patient receives healthcare consistent with range of services from the covered entity.

What is the PBM's Role in 340B



1. Plan set-up and steerage
2. Contractual agreement procurement
3. Claims adjudication
4. Clinical programs for members
5. Auditing and oversight

Where Do We Go From Here?

Optum Rx, the UnitedHealth pharmacy benefit manager unit, will soon pass all rebates it gets from prescription drug manufacturers on to employer health plan sponsors and other clients.

Pharmacy Benefit Manager Reform Keeps Getting Scuttled, Despite Bipartisan Support

How celebrity investor Mark Cuban is tackling out-of-control drug prices

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Thank You!

For questions, please reach out to
wendy.dine@strategicrisks.com