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Drug Benefit News

Regional PBM Player Seeks to Show 'Value Beyond the Spreadsheet'

At a time when PBMs are rapidly consolidating to achieve economies of scale, Pharmacy Benefit Dimensions (PBD), the in-house PBM unit of Independent Health, is focused on organic growth as it struggles to prove its value proposition against dominant players in the market.

In an interview with *DBN*, PBD President Michael Reilly explains that the PBM was established in 2005 when Buffalo, N.Y.-based Independent Health had a "vision" of taking back control of the health plan's drug spend from its PBM. "They knew they had a core competency in claims processing and had been doing that for many years on the medical side," Reilly tells *DBN*. As a result, the insurer contracted with SXC Health Solutions Corp. (now Catamaran Corp.) to obtain its own version of the widely used claims processing engine RxClaim.

Where the newly formed PBM unit soon found its strengths was on the "softer side" of pharmacy benefits management, Reilly says, referring to utilization management techniques such as step edits, prior authorization, maximum daily dose limits and formulary management.

"By bringing those things in-house, we really built up our core competency in those areas, and as time progressed, the customer base began to grow beyond that of just the parent organization," recalls Reilly, who joined the organization in 2012. Pharmacy benefit coverage expanded mainly through the addition of self-funded employers in western New York, and PBD now manages the pharmacy benefit for more than 45% of that market. The company started with between 30,000 and 40,000 lives the first year and now covers 135,000 lives through 57 self-funded employers. Combined with health plan lives covered through its parent organization, PBD this year hit a milestone of more than 500,000 members.

The company's organic growth on the self-funded side has been driven largely by referrals among its school district, health care and government clients. "Those three sectors tend to understand that there's value beyond the spreadsheet," says Reilly, referring to the tool commonly used to evaluate PBMs during the bidding process.

But the spreadsheet is also the PBM's biggest challenge when it comes to continuing that growth. "When we get 'spreadsheeted' by the consultants, they want to know our brand discount, our generic discount, what kind of rebates we're getting, but that's only part of the story," asserts Reilly. "The rest of the story is how you manage care, how you manage the formulary, how you manage drug utilization."

"You have to make assumptions around cost avoidance, but it's difficult to do and it's hard to get the payer to buy into that as easily on a spreadsheet," weighs in Helen Sherman, Pharm.D., vice president at Solid Benefit Guidance. "The discounts are the easiest to calculate and forecast."

For example, if a member has cystic fibrosis and the PBM is able to avoid one treatment that the patient is not likely to benefit from, that's a cost avoidance, she explains. Or when forecasting costs associated with the emerging class of PCSK9 inhibitors for high cholesterol, "there's going to be a huge range of how many members might use them, so then you have to put a guesstimate as to how much you're going to avoid," adds Sherman, who is the former vice president for business development and chief pharmacy officer for the Blues plan-owned RegenceRx. "Articulating that on a spreadsheet is hard, but you've got to get the industry there because that's where there's going to be huge cost differences between different providers and PBMs, depending on their techniques and formulas."

PBD estimates that clients save an average of 15% off their prescription drug costs when switching to the new PBM through "attention to detail." For instance, a maximum daily dose edit on amoxicillin ensures that no one would receive a 90-day supply of an antibiotic that should be administered for only 14 days unless otherwise processed by an override, he explains.

Reilly asserts that while PBD competes on price with the bigger PBMs, being a regional player has its advantages. For one, the PBM enjoys a "sound working relationship with the physician provider community" that has enabled it to engage with prescribers on adhering to the formulary.

For example, after generic atorvastatin was approved in 2011 and many plans pushed Lipitor to the third tier, PBD began sending out a "counterdetail team" comprised of former pharmaceutical representatives to doctors' offices to discuss their patients' utilization of the brand drug. "The doctors are floored when they find out they still have 20 or 30 patients in their practice on Lipitor," says Reilly. "They immediately begin to switch patients because that's contributing to cost of care." Independent Health is an independent practice association-model health plan offering both fully insured and self-insured plans. The company has risk-based agreements with numerous high-performing physicians and providers, he explains.

In addition, PBD boasts a 93% satisfaction rate from its retail pharmacy network, which Reilly suggests is based on frequent communications and updates to its maximum allowable cost list that larger PBMs rarely make.

Business Includes a Specialty Pharmacy

Reilly also oversees the specialty pharmacy Reliance Rx, which is another wholly owned subsidiary of Independent Health. The division was established four years ago with a similar goal of helping the parent company rein in rising specialty spend, but now serves self-funded clients and also has payer contracts with large Medicare Part D plan sponsors.

"Because we're a plan-owned PBM and a plan-owned specialty pharmacy, there's a tremendous amount of pharmacy and medical data integration," asserts Reilly. "When we identify high-cost claimants on the pharmacy side of the house — for example, people who suddenly spike, whether it be a hepatitis C patient or a multiple sclerosis patient — we pass it over to our colleagues on the medical side for case management or disease management follow-up."

Reliance Rx had a 97% adherence score based upon medication possession ratio in the most recent quarter, which Reilly says is the result of a high-touch model that includes outgoing calls from Reliance Rx pharmacists as well as the use of copay assistance programs.

PBD also markets a fully transparent model, and charges a per-claim transaction fee in exchange for all discounts received from pharmaceutical manufacturers passed back to the health plan and the self-funded customer. As a result, Reilly says the PBM is "incentivized to retain customers and provide them with the greatest value and the lowest cost of care."

Going forward, PBD's main goals are growth and retention. Reilly says the company retained 99% of clients for 2015, and is looking to extend its services to community health plans outside its western New York market. "I'm not looking to sell, I'm looking to continue to provide value in this segment of the market," proclaims Reilly.

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