AAP SAN ANTONIO 2019 ANNUAL CONFERENCE

AAP AMERICAN ASSOCIATED PHARMACIES

BEHIND THE SCENES: WHAT HAPPENS WITH PHARMACY CONTRACTING

THE BRUTAL REALITIES OF CONTRACTING WITH PBMS

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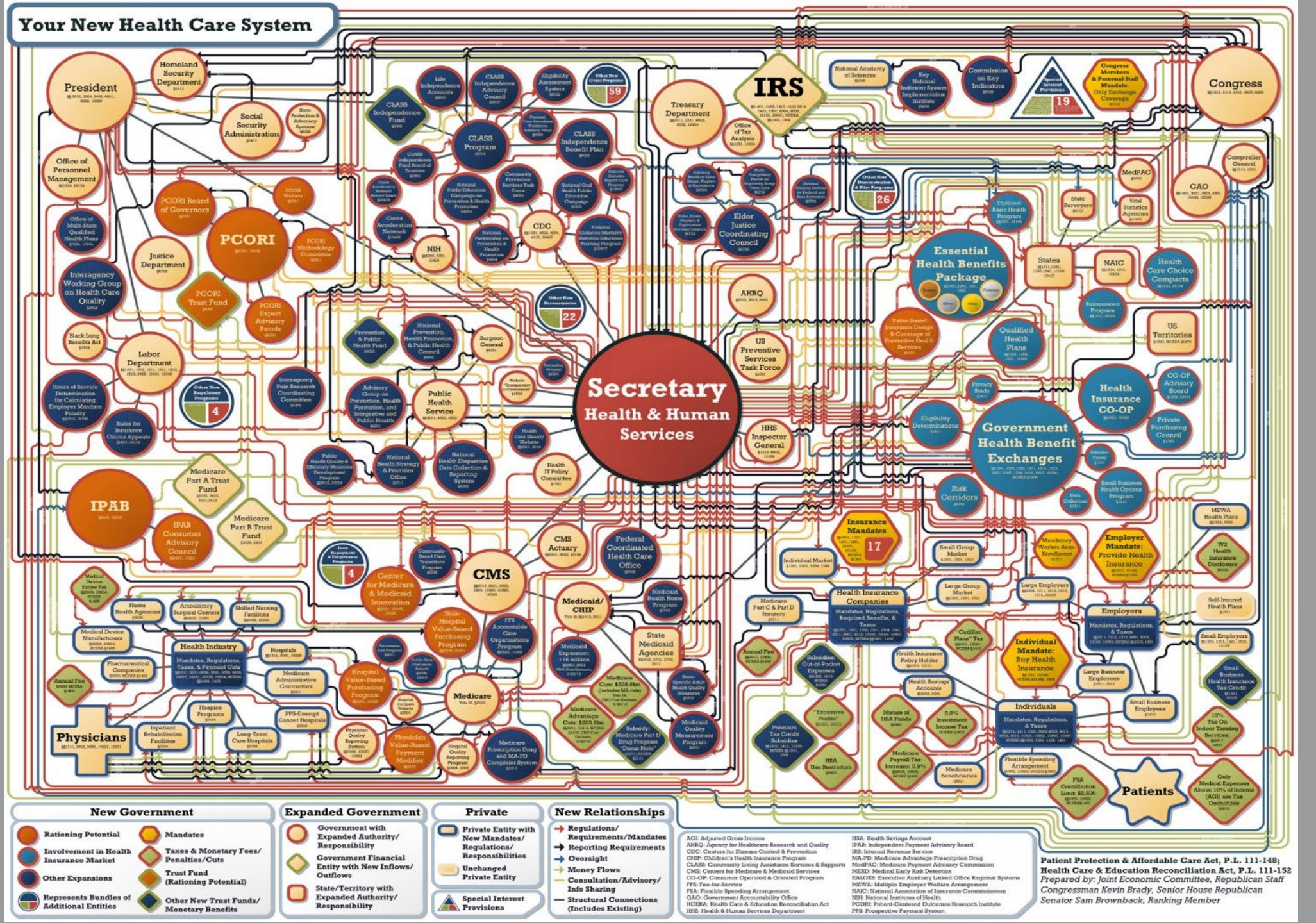
LEARNING OBJECTIVES

1. Explain the history and purpose of pharmacy services administrative organizations (PSAO).
2. Describe common contracting terms such as MAC, DIR, GER and BER.
3. Describe the difference between direct and group/PSAO contracts with payers.
4. Explain contract aspects that need to be negotiated in any situation.


Your New Health Care System
Secretary
Health & Human Services
IRS
Treasury Department
President
Congress
Homeland Security Department
Social Security Administration
Office of Personnel Management
Office of Multi-State Qualified Health Plans
Interagency Working Group on Health Care Quality
Justice Department
Black Lung Benefits Act
Labor Department
Hours of Service Determination for Calculating Employer Mandate Penalty
Rules for Insurance Claims Appeals
PCORI
PCORI Board of Governors
PCORI Trust Fund
PCORI Expert Advisory Panels
PCORI Methodology Committee
PCORI Website
Interagency Pain Research Coordinating Committee
IPAB
IPAB Consumer Advisory Council
Medicare Part A Trust Fund
Medicare Part B Trust Fund
CLASS Independence Fund
CLASS Independence Advisory Council
CLASS Program
CLASS Independence Benefit Plan
CLASS Independence Fund Board of Trustees
Life Independence Accounts
Eligibility Assessment System
State Protection & Advocacy Systems
Cures Acceleration Network
NIH
CDC
National Public Education Campaign on Prevention & Health Promotion
Community Preventive Services Task Force
National Oral Health Public Education Campaign
National Diabetes Mortality Statistics Education Training Program
National Partnership on Prevention & Health Promotion
Prevention & Public Health Fund
National Prevention, Health Promotion, & Public Health Council
Surgeon General
Advisory Group on Prevention, Health Promotion, and Integrative and Public Health
Public Health Service
Public Health Quality & Efficiency Measures Development Program
National Health Strategy & Priorities Office
National Health Disparities Data Collection & Reporting System
Health Care Quality Website
Health IT Policy Committee
US Preventive Services Task Force
AHRQ
HHS Inspector General
Treasury Department
Office of Tax Analysis
Elder Justice Coordinating Council
Advisory Board on Elder Abuse, Neglect, & Exploitation
Elder Abuse Neglect, & Exploitation Forensic Centers
Multi-Disciplinary Panels on Improving Long-Term Care
National Institute Training Institute for Federal and State Surveyors
National Diabetes Report Card Program
Other New Demonstrations 22
Other New Demonstration & Pilot Programs 26
Other New Regulatory Programs 4
Loan Repayment & Forgiveness Programs 4
Other New Grant Programs 59
Special Interest Provisions 19
National Academy of Sciences
Key National Indicator System Implementation Institute
Commission on Key Indicators
Congress Members & Personal Staff Mandate: Only Exchange Coverage
Comptroller General
GAO
MedPAC
Vital Statistics Agencies
State Surveyors
Optional Basic Health Program
Essential Health Benefits Package
States
NAIC
Health Care Choice Compacts
Reinsurance Program
US Territories
Value-Based Insurance Design & Coverage of Preventive Health Services
Qualified Health Plans
Privacy Study
Eligibility Determinations
Government Health Benefit Exchanges
Health Insurance CO-OP
CO-OP Advisory Board
Private Purchasing Council
Risk Corridors
Small Business Health Options Program
Data Collection
Internet Portal
Insurance Mandates 17
Individual Market
Small Group Market
Large Group Market
Large Employers
Mandatory Worker Auto-Enrollment
Employer Mandate: Provide Health Insurance
MEWA Health Plans
W2 Health Insurance Disclosure
Self-Insured Health Plans
Employers
Mandates, Regulations, & Taxes
Small Employers
Small Business Health Insurance Tax Credit
Large Business Employees
Small Business Employees
10% Tax On Indoor Tanning Services
Only Medical Expenses Above 10% of Income (AGI) are Tax Deductible
Health Insurance Companies
Mandates, Regulations, Required Benefits, & Taxes
Medicare Part C & Part D Insurers
Annual Fee
Subsidies: Out-of-Pocket Expenses
"Cadillac Plans" Tax
Health Insurance Policy Holder
Health Savings Accounts
Misuse of HSA Funds
3.8% Investment Income Tax
Medicare Payroll Tax Increase: 0.9%
Medicare Beneficiaries
Individuals
Mandates, Regulations, & Taxes
Individual Mandate: Buy Health Insurance
Flexible Spending Arrangement
FSA Contribution Limit: $2,500
Premium Tax Credit Subsidies
"Excessive Profits"
HSA Use Restriction
Patients
CMS
CMS Actuary
Center for Medicare & Medicaid Innovation
Community-Based Care Transitions Program
Federal Coordinated Health Care Office
Medicaid/ CHIP
Medicaid Health Home Program
Medicaid Expansion: +16 million
State Medicaid Agencies
Medicare Cuts: $528.9bn
Medicare Advantage Cuts: $205.9bn
Subsidy: Medicare Part D Drug Program "Donut Hole"
Medicaid Quality Measurement Program
State-Specific Adult Health Quality Measures
Non-Hospital Value-Based Purchasing Program
FFS Accountable Care Organizations Program
Medicare
Hospital Value-Based Purchasing Program
Physician Value-Based Payment Modifier
Physician Quality Reporting System
Hospital Quality Reporting Program
Medicare Prescription Drug and MA-PD Complaint System
Medicare Administrative Contractors
PPS-Exempt Cancer Hospitals
Hospices
Hospice Programs
Long-Term Care Hospitals
Inpatient Rehabilitation Facilities
Physicians
Home Health Agencies
Ambulatory Surgical Centers
Skilled Nursing Facilities
Medical Device Manufacturers
Pharmaceutical Companies
Medical Device Excise Tax
Annual Fee
Health Industry
Mandates, Regulations, Taxes, & Payment Cuts
Hospitals
New Government
Rationing Potential
Involvement in Health Insurance Market
Other Expansions
Represents Bundles of Additional Entities
Mandates
Taxes & Monetary Fees/ Penalties/Cuts
Trust Fund (Rationing Potential)
Other New Trust Funds/ Monetary Benefits
Expanded Government
Government with Expanded Authority/ Responsibility
Government Financial Entity with New Inflows/ Outflows
State/Territory with Expanded Authority/ Responsibility
Private
Private Entity with New Mandates/ Regulations/ Responsibilities
Unchanged Private Entity
Special Interest Provisions
New Relationships
Regulations/ Requirements/Mandates
Reporting Requirements
Oversight
Money Flows
Consultation/Advisory/ Info Sharing
Structural Connections (Includes Existing)
AGI: Adjusted Gross Income
AHRQ: Agency for Healthcare Research and Quality
CDC: Centers for Disease Control & Prevention
CHIP: Children's Health Insurance Program
CLASS: Community Living Assistance Services & Supports
CMS: Centers for Medicare & Medicaid Services
CO-OP: Consumer Operated & Oriented Program
FFS: Fee-for-Service
FSA: Flexible Spending Arrangement
GAO: Government Accountability Office
HCERA: Health Care & Education Reconciliation Act
HHS: Health & Human Services Department
HSA: Health Savings Account
IPAB: Independent Payment Advisory Board
IRS: Internal Revenue Service
MA-PD: Medicare Advantage Prescription Drug
MedPAC: Medicare Payment Advisory Commission
MERD: Medical Early Risk Detection
SALCRS: Executive Auxiliary Linked Office Regional Systems
MEWA: Multiple Employer Welfare Arrangement
NAIC: National Association of Insurance Commissioners
NIH: National Institutes of Health
PCORI: Patient-Centered Outcomes Research Institute
PPS: Prospective Payment System
Patient Protection & Affordable Care Act, P.L. 111-148;
Health Care & Education Reconciliation Act, P.L. 111-152
Prepared by: Joint Economic Committee, Republican Staff
Congressman Kevin Brady, Senior House Republican
Senator Sam Brownback, Ranking Member

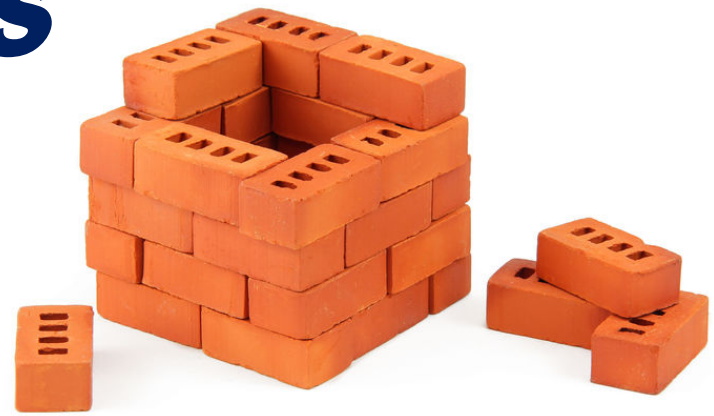
“Flustercluck

The Punisher
Season 2 Episode 9

THE PSAO: *A HISTORICAL ACCOUNT*

- United Drugs
- Family Care/QS1
- RxPr1de
- Wholesalers and Buying Groups

2016: *CONSOLIDATION BEGINS*



Arete Pharmacy Network (2016)
United Drugs, Third Party Network, and RxPr1de

UnifyRx (2017)
Pharmacy Providers of Oklahoma (PPOk) and Tri Net

Health Mart Atlas (2018)
Access Health and American Pharmacy Network Solutions (APNS)

THE REMAINING PSAOS

Arete Pharmacy Network
PPOK
EPIC Pharmacy Network
Pharmacy First
Elevate Pharmacy Network
Health Mart Atlas
LeaderNet

CONSOLIDATION WAS/IS NECESSARY

CVS Caremark and Aetna

UnitedHealth Group and OptumRx.

Cigna and Express Scripts.

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CONTRACTING: *GLOSSARY OF TERMS*

MAC: *Maximum Allowable Cost* is a pricing model for multi-source generics that specifies an upper limit on the amount that will be paid per unit of medication.

DIR: *Direct and Indirect Remuneration* is a fee that is paid from a pharmacy to a payer and can be flat dollar or percentage based.

GER: *Generic Effective Rate* is an average discount off of Average Wholesale Price (AWP) applied across all generic medications.

BER: *Brand Effective Rate* is an average discount off of AWP applied across all branded medications.

GOVERNING DOCUMENTS

- Provider Manual
- Contract
- Annual Amendments

ALWAYS RED-LINE

Rates. DIR-Like Fees. **Central Pay**
Protections. Audit Protections.
Quality Terms. *Delinquent Payments.*
Eligibility. Termination Clauses. **Assignment.**

PSAO Contract		Direct Contract
Better rates (most often)	Vs.	No effective rate contracts (until 2020)
Access to closed and preferred networks		
Better protections		

What Works	What Doesn't
Better access	Quality scores may be diluted by others
*Arete, Epic, HMA and LeaderNet	Uneven experience on reimbursement
Better protections on audits	May have access you do not want
Lower DIR-like fees potentially	MAC laws
Attestations can be aggregated	Piggy bank

MAC Contracts	Effective Rate Contracts
No floor on how low MAC rates can go	Some PSAOs do true-ups
Allows for spread pricing	True-ups may be done by the PBMs
Largely disconnected from market pricing	Network is paid in a range
Uneven pharmacy experience	PBMs are still learning
Can change often during contract period	Uneven experience as there is too much store to store variation

QUESTIONS

"Why does a PSAO sign a bad contract?"

"Why have PSAOs signed effective rate contracts?

WHY SIGN EFFECTIVE RATE CONTRACTS?

	Clint's Pharmacy	Jon's Pharmacy	Rob's Pharmacy
Geographic Region	East	Central	West
Generic Rates (Qtr. 4)	5% below cost	10% above costs	3% below costs
GER Contract Offering	4% above costs	4% above costs	4% above costs
Actual GER Yr. 1	1% above costs	6% above costs	4% below costs

WHY SIGN A BAD CONTRACT?

MAC-based contracts can be changed at any time.

Most contracts are for multiple rate/network options.

Emily's Pharmacy

SITUATION

20 patients enrolled with a given PBM preferred network.

DESIRED OUTCOME

Obtain a PBM preferred contract so patients are not referred to a chain pharmacy.

REACTION TO PSAO OBTAINING CONTRACT

Positive; Retains patients and profitability is largely unchanged.

Stella's Pharmacy

SITUATION

20% of business is with a certain PBM Preferred network.

DESIRED OUTCOME

Wants exclusion from preferred contract; would rather lose patients and avoid the profitability hit.

REACTION TO PSAO OBTAINING CONTRACT

Negative; Loss of profitability has a large impact on pharmacy.