



# Governor's Task Force on Reducing Prescription Drug Prices

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## Pharmacists and Pharmacies

**Paul Cesarz, BS Pharm, R.Ph.**

Manager System Community Pharmacy Professional Services  
Mercyhealth Walworth Pharmacy



# TODAY'S SPEAKER

**Paul Cesarz, BS Pharm, R.Ph.**  
Manager Professional Services  
Community Pharmacy  
Mercy Walworth Pharmacy



# DISCLOSURE

Pharmacist Paul M. Cesarz declares no conflicts of interest.



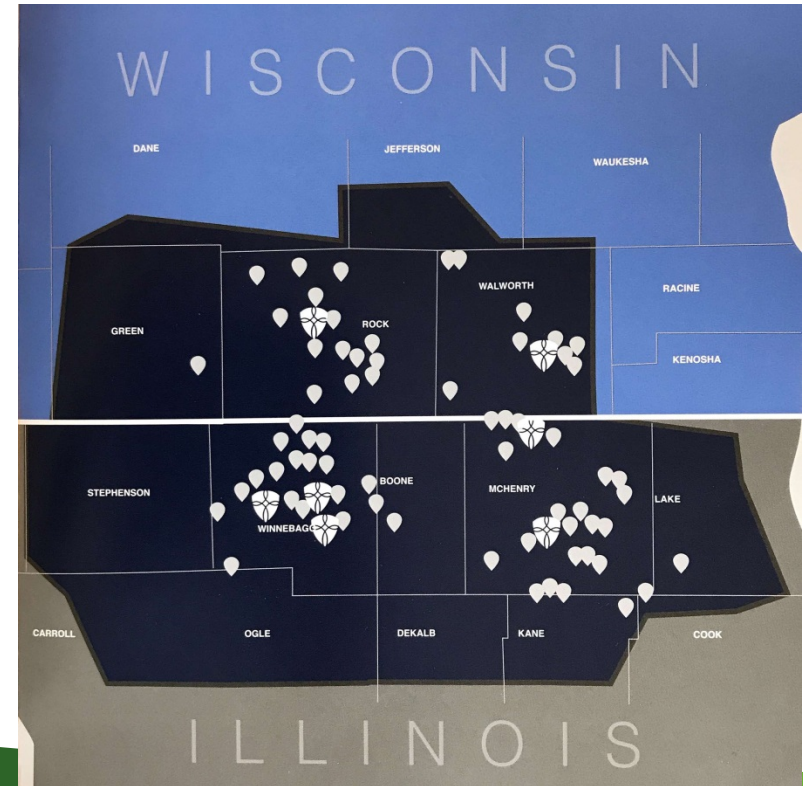
# MERCYHEALTH HOSPITAL AND MEDICAL CENTER - WALWORTH

- ▶ Critical Access Hospital and Clinics
- ▶ Mercy Walworth Community Pharmacy
  - ▶ N2950 State Road 67
  - ▶ Lake Geneva, WI 53147



# MERCYHEALTH REGIONAL HEALTH SYSTEM


- ▶ 7 Hospitals
- ▶ 85 Primary and Specialty care sites
- ▶ 48 Community clinics
- ▶ 7 Outpatient Pharmacies



# OVERVIEW

- ▶ Pharmacy practice
- ▶ Pharmacist services provide value
- ▶ Pharmacy supply chain within and outside of health systems
- ▶ Pharmacy interactions with PBMs and payers.





“About **30% of older adults** in the U.S. and Canada **filled a prescription** in the last few years for one of many medications that the **American Geriatrics Society** recommends they avoid.”

**\$561 billion in annual spending on prescription drugs** which is among the fastest growing elements of healthcare spending.

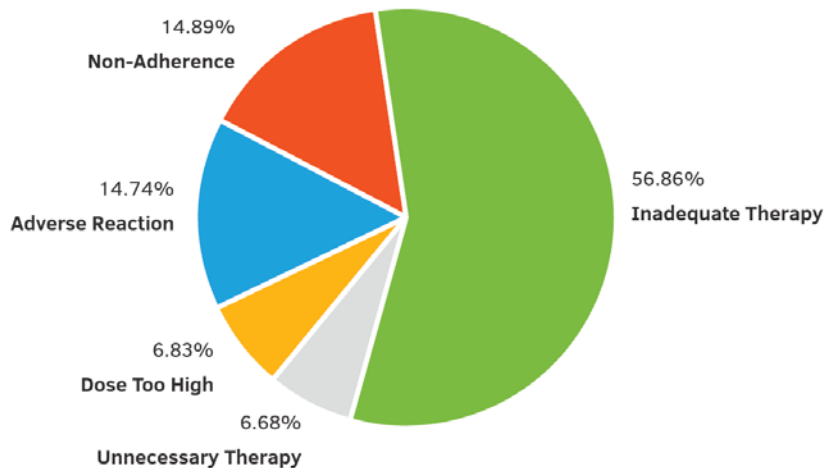
“**66% of older adults** take **5 or more drugs** per day, and **27% take 10 or more** per day.”

“**Inclusion of clinical pharmacists** in physician–pharmacist collaborative care-based patient-centered medical home model was associated with **significant improvements** in patients’ medication-related **clinical health outcomes** and a **reduction in hospitalizations.**”





### Medication Therapy Problems<sup>3</sup>



Comprehensive Medication Management in Team-Based Care Brief, American College of Clinical Pharmacy

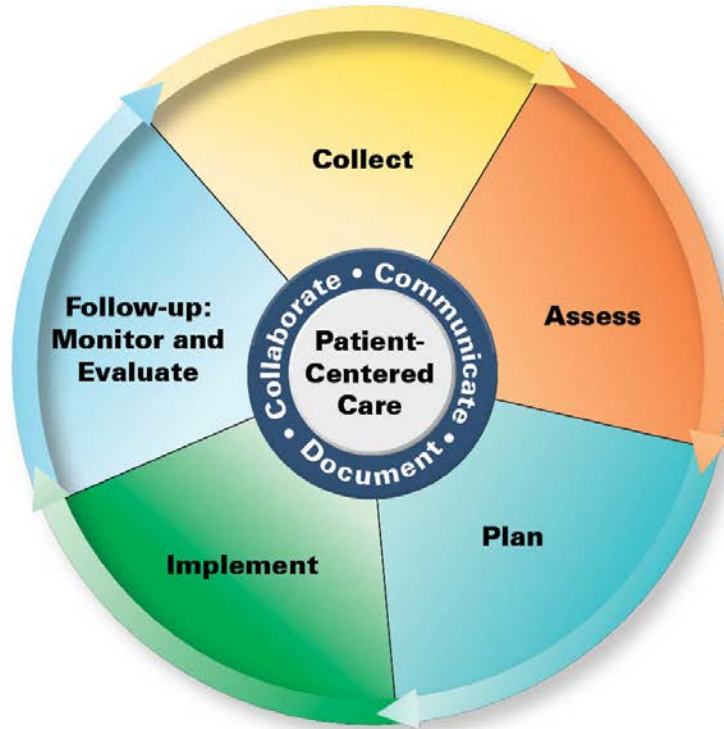
**1/3 of medication related admissions are linked to poor adherence**

**Approximately 1/4 of 1<sup>st</sup> fill medications are not picked up in the outpatient setting**





# PHARMACISTS' PATIENT CARE PROCESS<sup>4</sup>



## Pharmacists' Patient Care Process

Pharmacists use a patient-centered approach in collaboration with other providers on the health care team to optimize patient health and medication outcomes.

Using principles of evidence-based practice, pharmacists:

### Collect

The pharmacist assures the collection of the necessary subjective and objective information about the patient in order to understand the relevant medical/ medication history and clinical status of the patient.

### Assess

The pharmacist assesses the information collected and analyzes the clinical effects of the patient's therapy in the context of the patient's overall health goals in order to identify and prioritize problems and achieve optimal care.

### Plan

The pharmacist develops an individualized patient-centered care plan, in collaboration with other health care professionals and the patient or caregiver that is evidence-based and cost-effective.

### Implement

The pharmacist implements the care plan in collaboration with other health care professionals and the patient or caregiver.

### Follow-up: Monitor and Evaluate

The pharmacist monitors and evaluates the effectiveness of the care plan and modifies the plan in collaboration with other health care professionals and the patient or caregiver as needed.



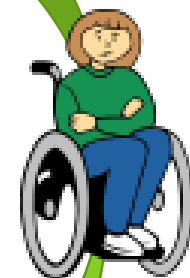


## Discharge Handoff Summary

- PCP/Unit Contact Info
- Patient Chief Complaint
- Summary of the Admission
- Discharge Diagnoses
- Complete Medication List
- Vital Signs/Lab Results
- Prescription Benefit Eval.
- Follow-up appointments



## Discharge Handoff Process





# VALUE-BASED PAYMENT MODELS: WHERE DOES THE PHARMACIST FIT IN?

Examples of Alternative Payment Model (APM) Programs:

- ▶ Medication Therapy Management (MTM)
- ▶ Population Health Management/CPESN
- ▶ Medication Adherence Programs
- ▶ Comprehensive Medication Reviews
- ▶ Immunizations
- ▶ Pharmacogenomics
- ▶ Disease Management Services (diabetes, hypertension, hyperlipidemia)
- ▶ Transitions of Care Management
- ▶ Comprehensive Primary Care Plus (CPC+)
- ▶ Part D Enhanced Medication Therapy Management Model





# COLLABORATIVE PRACTICE AGREEMENTS<sup>3</sup>

- ▶ Formal Relationship between Pharmacists and Physicians
  - ▶ Allows for expansion of services
  - ▶ Autonomous changes Pharmacists can make under specified situations and conditions, as outlined in the agreement
  - ▶ Wis. Act 294
  - ▶ 48 States, including the District of Colombia utilize CPA's
- ▶ Goal
  - ▶ “To develop consensus recommendations that provide principles and strategies for effectively implementing healthcare changes”





# INSTITUTIONAL PROTOCOL

- ▶ Therapeutic drug monitoring
  - ▶ Anticoagulation
  - ▶ Pharmacokinetics for vancomycin and aminoglycosides
- ▶ Ordering of tests and labs to monitor drug therapy for appropriateness
- ▶ Medication formulary management
- ▶ Immunizations



# PHARMACIST IMPACT

- ▶ Pharmacists and Immunizations in the community setting

- ▶ Prior to 1994- RPh did not exist as immunizers
- ▶ 1996- APhA releases universal pharmacists vaccination training program
- ▶ 1998- WI law allows pharmacists to provide immunizations
- ▶ Fast forward to 2014- Reported ~15% of all flu doses in WI
  - ▶ Milwaukee county- >25% of all doses
  - ▶ Subset of patients aged 65 years and older- **Approximately 1/3<sup>rd</sup>** of all influenza doses reported to WIR were from community pharmacies.
- ▶ **Community Pharmacies increase access to vaccines!**





# MEDICATION COSTS

- ▶ Medication cost management is a critical concern for pharmacy leaders and healthcare leaders
- ▶ Specialty pharmaceuticals have seen 17-22% spending growth per year and are expected to comprise 50% of U.S. drug expenditures in 2019
  - ▶ Health-systems are centralizing prior auth. processes to support clinicians on the healthcare team
  - ▶ ASHP strategic recommendation to have pharmacists take ownership of central prior-authorization management and all aspects of the medication-use system



# MAC – MAXIMUM ALLOWABLE COST

- ▶ Means the unit price established by the PBM for a multisource drug included on PBM's MAC drug lists for clients.
- ▶ The payment schedules specify the maximum unit ingredient cost payable by client for drugs on the MAC list. The MAC list and payment schedules are frequently updated.







# CONTROL OF THE ABOVE DEFINITIONS

- ▶ Allows PBMs to manipulate the MAC concept in whatever ways they choose
- ▶ PBMs pricing formulas
- ▶ Generic guarantees
  
- ▶ See: Managed Care, Don't Get Caught By PBMs' MAC Mousetraps
- ▶ [www.managedcaremag.com/archives](http://www.managedcaremag.com/archives) accessed May 5, 2020



# MAC EXAMPLE CONTRACT DEFINITION

- ▶ Community Pharmacy      MAC + \$1.00 dispensing fee
- ▶ Mail Order                      MAC - 20% plus no dispensing fee



# MAC EXAMPLE CONTRACT FORMULA

- ▶ Retail generic drugs:
  - ▶ The lowest of (i) PBMs MAC or
  - ▶ (ii) the retail pharmacies' U&C [usual and customary] or
  - ▶ (iii) AWP minus 18 percent [82 percent of the average wholesale price].



# MAC EXAMPLE OTHER PRICING FORMULAS

- ▶ Mail generic drugs:
  - ▶ AWP minus 50 percent or PBMs MAC



# MAC EXAMPLE GENERIC GUARANTEES

- ▶ Generic guarantee: PBM warrants that all drugs on PBMs MAC list will be guaranteed to have an average annual discount of AWP minus 64 percent.



# PBM MAIL-ORDER WASTE

- ▶ An example of Express Scripts overutilization of the healthcare system. The patient has since deceased and his spouse ... tried to get Express Scripts to stop sending items. ... over \$6,000 that Express Scripts charged the patients plan.”
- ▶ <http://www.ncpa.co/pdf/waste-not-want-not---examples-of-mail-order-pharmacy-waste.pdf>



# HOW PHARMACY DIR\* FEES WORK

\*Direct and Indirect Remuneration



## #1

RPh



Pharmacist dispenses medicine to patient

DAY 1

## #2

RPh receives

IN BOX

Wholesaler Invoice

For: Drug

Pay \$90

\$95

& reimbursement for the drug from PBM

DAY 14

## #3

RPh receives from PBM

DIR Fee Deduction Notice

For: Drug

Return \$15

DIR clawback for medication *already dispensed*

DAY 90

## #4

RPh



Pharmacy Balance Sheet

Bought Drug: \$90

Reimbursed: \$95

DIR Fee: (-\$15)

Net Reimbursement: \$80

Net Loss: (-\$10)

FINAL ACCOUNTING




# HOW RETROACTIVE PHARMACY DIR\* FEES HURT MEDICARE PATIENTS & TAXPAYERS

\*Direct and Indirect Remuneration



## #1 AT THE PHARMACY COUNTER

Medicare-enrolled seniors pay pharmacies a co-pay for medications,




RPh

while the full price of the drug is credited against the patient's coverage limit.

## #2 WEEKS OR MONTHS LATER

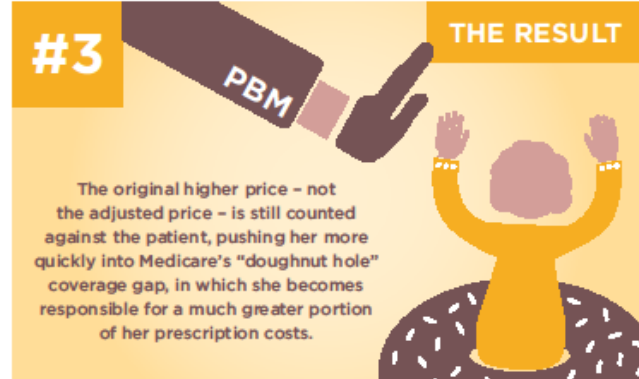
The PBM administering Medicare's prescription benefit decides to take back a portion of the pharmacy's reimbursement for the actual costs of the patient's medication.



PBM

## #3 THE RESULT

The original higher price – not the adjusted price – is still counted against the patient, pushing her more quickly into Medicare's "doughnut hole" coverage gap, in which she becomes responsible for a much greater portion of her prescription costs.



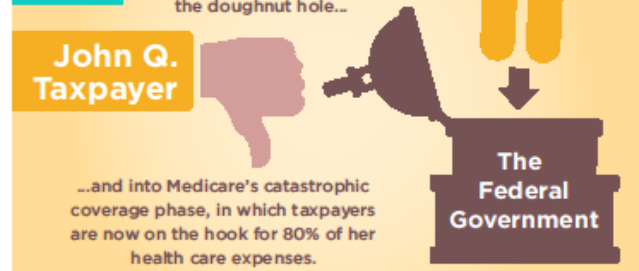
PBM

## #4 EVENTUALLY

...as the patient's health care expenses mount, she'll be pushed out of the doughnut hole...

**John Q. Taxpayer**

...and into Medicare's catastrophic coverage phase, in which taxpayers are now on the hook for 80% of her health care expenses.



The Federal Government







# WARPED INCENTIVES



EXPRESS SCRIPTS®

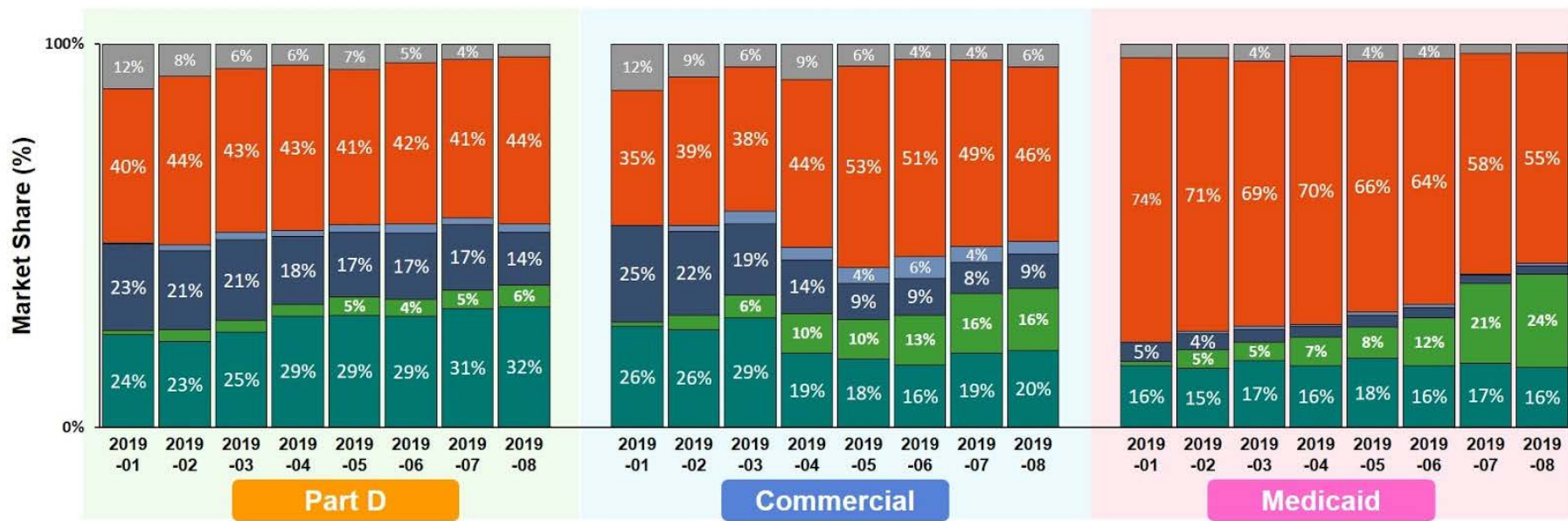


OPTUMRx®



# Market Share for Hepatitis C Therapies, New-to-Class Patients, 2019

■ EPCLUSA-BRANDED   
 ■ EPCLUSA-AG   
 ■ HARVONI-BRANDED   
 ■ HARVONI-AG   
 ■ MAVYRET   
 ■ OTHER



AG = authorized generic

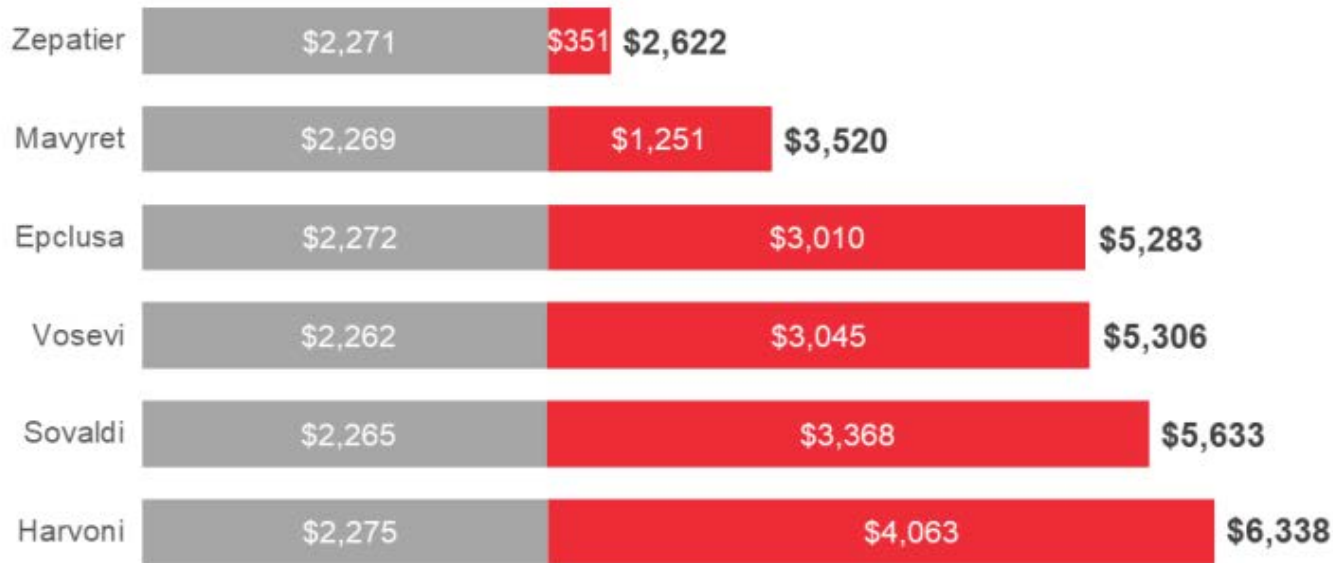
Source: IQVIA US Market Access Strategy Consulting analysis. New-to-Class patients have not previously initiated therapy on any HEP-C product in the prior year. Data show paid claims.



Figure 3

## While out-of-pocket costs for some hepatitis C drugs have decreased since their introduction, Part D enrollees still pay thousands of dollars for these medications

Median out-of-pocket costs in 2019: ■ BELOW catastrophic threshold ■ ABOVE catastrophic threshold



NOTE: Analysis reflects coverage and costs in 25 stand-alone prescription drug plans (mostly national/near-national), based on a pharmacy located in zip code 21201 (Baltimore, MD).

SOURCE: KFF analysis of 2019 Medicare Plan Finder data.



**NET DRUG COST HAS DECREASED**



# 2001-2003 WISCONSIN BUDGET

## ▶ Manufacturer Rebate Provision

- ▶ 2001 Act 16, section 1838gb (see pages 313 – 315 or this 789-page law)
- ▶ Budget passed Senate and House, signed by Governor 8/31/2001



# DRUG COST TREND 2012 TO 2016

- ▶ WI Medicaid Pharmacy Utilization Data
- ▶ “In the last five years Total gross paid costs have increased 13%, while net costs decreased 4% due to growth in rebate collection of 20% over the same time period. This also resulted in a net decrease in price per member per month (PMPM).”
  - ▶ Minutes of the Drug Utilization Review (DUR) Board Meeting
  - ▶ Wednesday, June 7, 2017, page five, paragraph one



# NET DRUG COST IN MILLIONS

	Total	Rebate	Net	Rebate %
2009	\$ 722.6	\$ 316.4	\$ 406.2	43.8
2013	\$ 822.0	\$ 433.2	\$ 388.8	52.7
2016	\$ 1,238.4	\$ 781.8	\$ 456.6	63.1

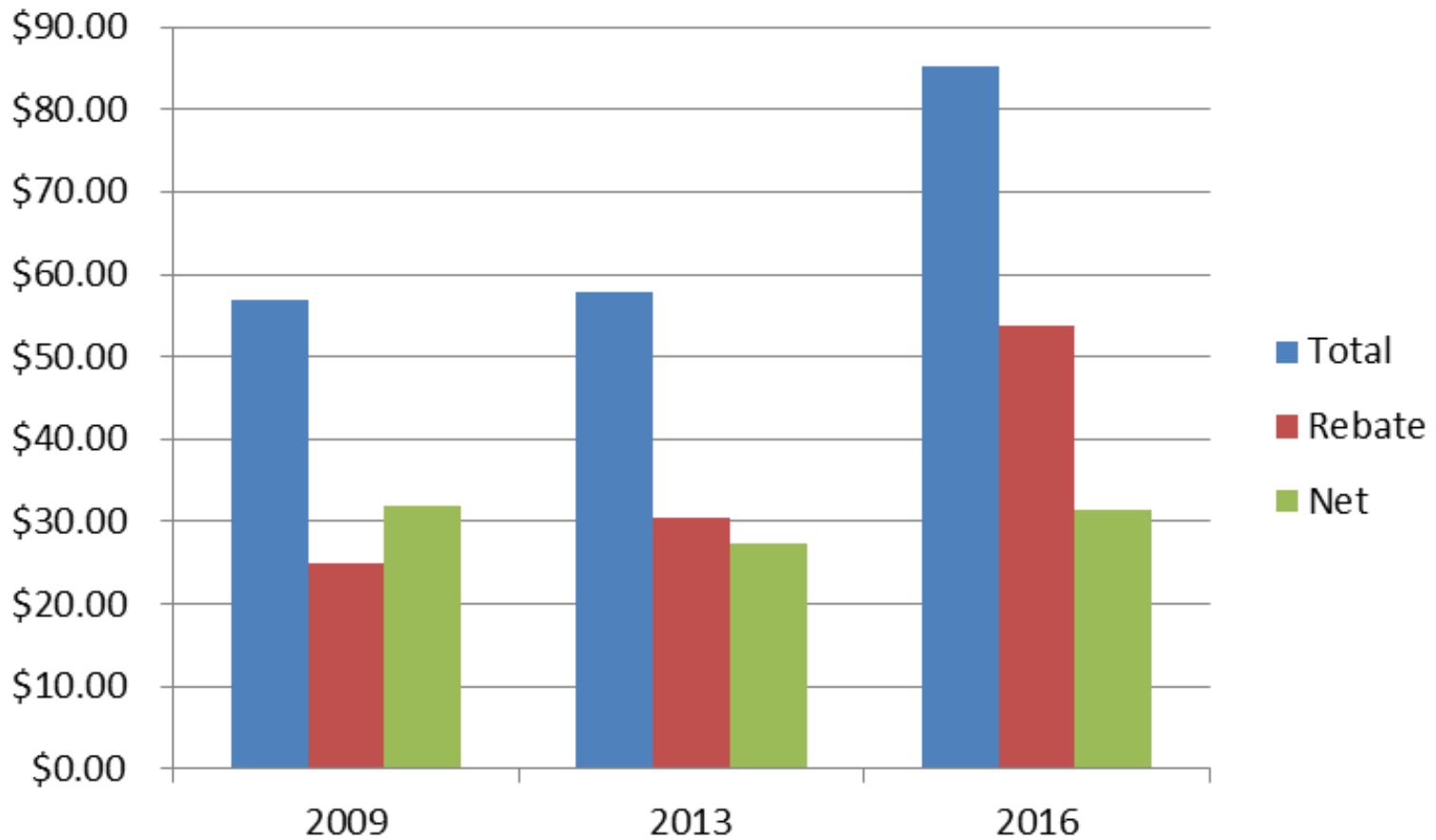


# NET DRUG COST PER MEMBER PER MONTH (PMPM)

	Total	Rebate	Net	Rebate %
2009	\$ 56.86	\$ 24.90	\$ 31.96	43.8
2013	\$ 57.76	\$ 30.44	\$ 27.32	52.7
2016	\$ 85.12	\$ 53.71	\$ 31.41	63.1





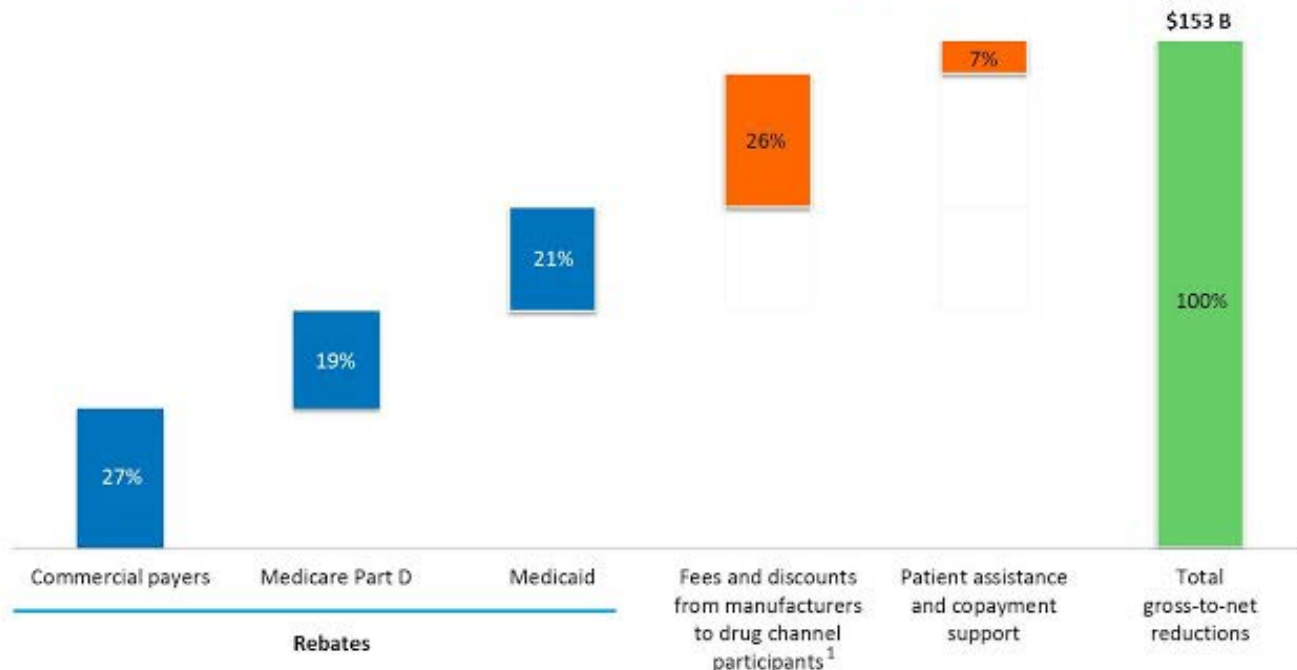


# GROSS TO NET PRICE REDUCTIONS

- ▶ 2018 Total Value of gross-to-net reductions for brand-name drugs was \$166 Billion
- ▶ 27% Commercial payers
- ▶ 19% Medicare Part D
- ▶ 21% Medicaid
- ▶ 26% Drug channel participants
- ▶ 7% Patient assistance and copayment support



## Total Value of Pharmaceutical Manufacturers' Gross-to-Net Reductions for Brand-Name Drugs, by Source, 2017



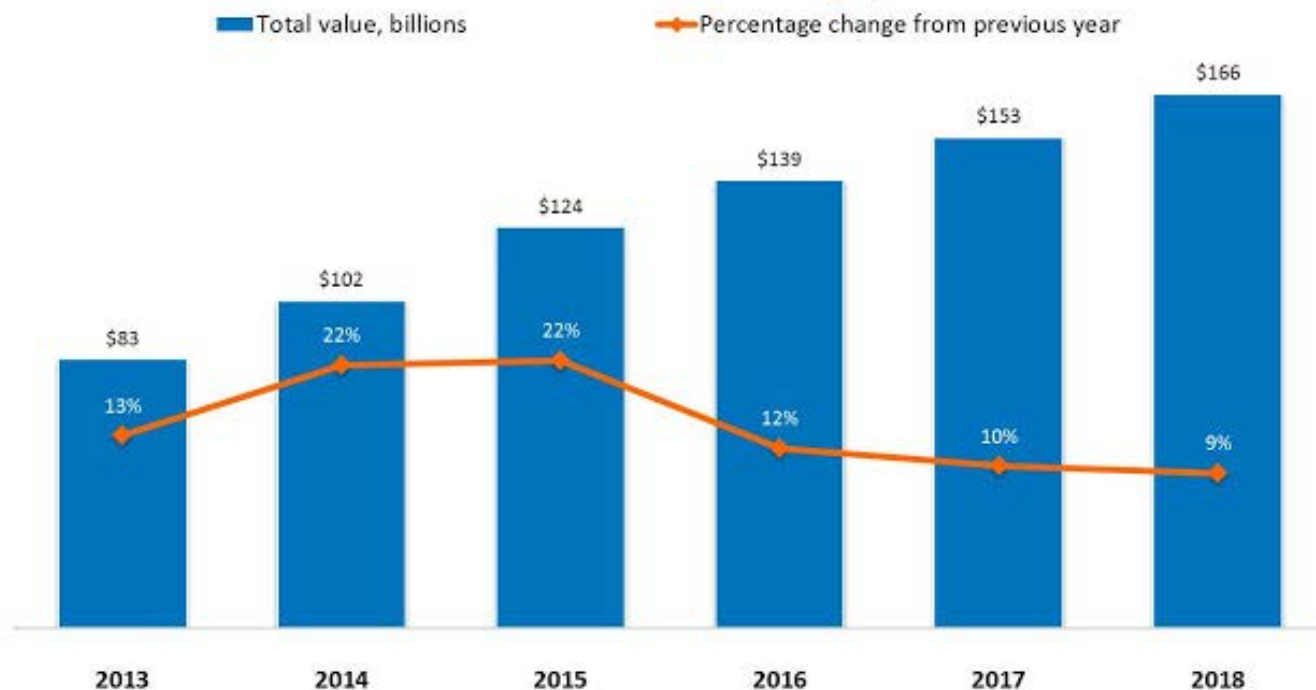
1. Payments by manufacturers include: admin fees to PBMs; discounts to providers under the 340B Drug Pricing Program; fees and discounts to pharmacies and wholesalers; and all other off-invoice discounts and rebates.

Source: Drug Channels Institute estimates. Percentage figures show each category's share of total gross-to-net reductions.

This chart appears as Exhibit 142 in *The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. Available at <http://drugch.nl/pharmacy>



## Total Value of Pharmaceutical Manufacturers' Gross-to-Net Reductions for Brand-Name Drugs, 2013 to 2018



Source: Drug Channels Institute analysis of IQVIA Institute data; Drug Channels Institute estimates. Gross-to-Net Reductions include the total value of rebates, off-invoice discounts, copay assistance, price concessions, and such other reductions as distribution fees, product returns, the 340B Drug Pricing Program, and more.

This chart appears as Exhibit 141 in *The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. Available at <http://drugch.nl/pharmacy>



# AS OF 2017

- ▶ PBMs control the pharmacy benefits of more than 266 Million Americans.
- ▶ Just 3 PBMs – Express Scripts, CVS Caremark, Optum – control as much as 89% of prescription drug benefit transactions in the U.S.
- ▶ Council of Economic Advisers, Reforming Biopharmaceutical Pricing at Home and Abroad. Feb 2018, available at <https://www.whitehouse.gov/wp-content/uploads/2017/11/CEA-Rx-White-Paper-Final2.pdf>; see also testimony of PCMA CEO Mark Merritt before the U.S. House of Representatives Energy & Commerce Committee Subcommittee on Health, December 13, 2017.



# PRESCRIPTION DRUG BENEFIT COST

# 1129%

## INCREASE

\$26.8B | 1987

\$330.4B  
2017



LARGE PBMS INCORPORATE

Source: CMS National Health Expenditure  
Statistics-Trends-and-Reports/National





PATIENTS' ACTUAL  
OUT-OF-POCKET  
COSTS INCREASED

180%

\$16.7B

1987

2017

\$46.8B

Expenditures by type of service 1960-2017. <https://www.cms.gov/Research-Statistics-Data-and-Systems/NationalHealthExpendData/NationalHealthAccountsHistorical.html>



"According to one estimate, PBMs fail to pass \$120 billion back to consumers, and retain another \$30 billion in additional out-of-pocket costs."

- "YOU CAN BLAME PHARMACY BENEFIT MANAGERS FOR HIGHER DRUG PRICES." REAL CLEAR HEALTH, MARCH 28, 2017





# 2017 PBM NET PROFITS



Source: 2017 SEC 10K filings



# POLICY PROBLEMS THAT INCREASE COSTS

- ▶ PBMs use spread pricing by charging health plans more than they reimburse pharmacies, and pocketing the difference
- ▶ PBMs promote drugs based on the rebate the PBM obtains, not on the patients' best interest
- ▶ PBMs classify certain generic drugs as brand drugs and charge brand prices



# POLICY SOLUTIONS TO REDUCE PATIENT OUT OF POCKET COSTS

- ▶ Transparent PBMs report all of their financial data, which means they are no longer able to charge significantly higher prices to health plans than the costs that they reimburse pharmacies in order to benefit from a pricing "spread"



# POLICY SOLUTIONS TO REDUCE PATIENT OUT OF POCKET COSTS

- ▶ When rebates are obtained, transparent PBMs pass along the savings to health plans, rather than hiding it and pocketing the money themselves



# POLICY SOLUTIONS TO REDUCE PATIENT OUT OF POCKET COSTS

- ▶ Transparent PBMs can't hide the rebates they receive from manufacturers--which means they don't promote expensive brand name drugs over equivalent generic drugs merely to profit from a rebate



# POLICY SOLUTIONS TO REDUCE PATIENT OUT OF POCKET COSTS

- ▶ Nontransparent PBMs can use their mail-order pharmacies to repackage drugs and inflate their costs. Transparent PBMs--most of which don't own their own mail-order pharmacy--disclose their pricing data to employees and therefore don't attempt such deceptive behavior



# Support Commonsense PBM Reform in Wisconsin

Promoting Transparency and Accountability - AB 114 / SB 100

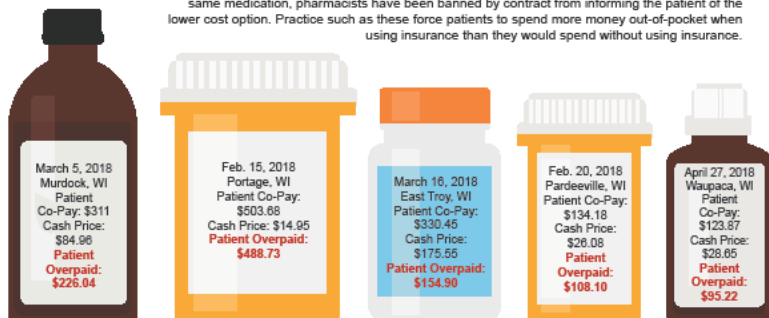
## PBM Middle-Men Drive Up Drug Costs

Pharmacy benefit managers, or PBMs, manage plans for nearly 95% of Americans with prescription drug coverage by serving as a "middle-man" between health plans and pharmacies. Operating with limited government oversight, some PBMs have utilized tactics such as "gag clauses" and "copay clawbacks" to drive up costs for customers. Tactics such as pharmacy steering, deceptive advertising, and mandatory mail-order have reduced patient access to pharmacy and complementary health care services at the pharmacies of their choice.

More than 30 states, including Arkansas, Kentucky, and Louisiana have passed PBM reforms. Similar to Wisconsin's proposed legislation, these states have tackled transparency, clawbacks, and gag orders in order to increase access, lower costs, and improve transparency and accountability.

## Ensuring the Best Price for Patients

When PBMs charge patients co-pays that are more expensive than the pharmacy's price for the same medication, pharmacists have been banned by contract from informing the patient of the lower cost option. Practice such as these force patients to spend more money out-of-pocket when using insurance than they would spend without using insurance.



## Support Commonsense PBM Reform Solutions

- **Prohibiting Gag Clauses:** PBMs may not ban or penalize pharmacists from informing patients of a lower-cost option to purchase medications - for example, if paying with cash is less expensive than the patient's copay.
- **Clawbacks:** PBMs cannot require a patient to pay an amount that is greater than the cost of the drug or the amount the pharmacy is to be reimbursed for the drug.
- **Drug Substitution:** If a PBM changes their formulary mid-year, the patient cannot be required to pay more for their medication or be required to change their medication.
- **False Advertising:** Prohibit PBMs from the use of false, deceptive, or misleading advertising intended to reduce choice of pharmacy.





**PHARMACISTS  
PROVIDE CARE**

# Wisconsin

A Campaign from the  
American Pharmacists Association



Access to health care is  
a serious issue in Wisconsin

## 53 of 72

Wisconsin counties include  
areas designated as

### “medically underserved”

Source: U.S. Department of Health and Human Services

**Currently most Wisconsin residents on Medicare do not have access to important services provided by pharmacists, including:**

Chronic Disease Management  
(e.g. Diabetes, Heart Disease)

Drug Therapy Management

Preventive Screenings & Related  
Counseling and Education

Glucose Testing

Blood Pressure

Cholesterol



## Over 5,500 Pharmacists Licensed in Wisconsin

Source: National Association of Boards of Pharmacy & State Boards of Pharmacy data

If H.R.592/S.109 becomes law,  
pharmacists - a qualified and  
underutilized health care provider  
- can help address the needs of  
Wisconsin's medically underserved.





# THANK YOU!

Special thanks to the following for their contributions on this presentation:  
PSW, Sarah Sorem, Danielle Womack





# QUESTIONS

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