



## EMPLOYER PBM CASE STUDY

# How and Why a Manufacturing Company Selected a New PBM

### Employer Profile

An East Coast manufacturer with 2,000 team members and 5,000 covered lives, no unions (collective bargaining), no requirements to use specific carriers or pharmacy benefit managers (PBMs).

### Employer Situation

In 2018, the benefits team, along with the company president and chairman of the board, attended a National Alliance member healthcare purchasing coalition meeting on PBM misalignment and the effect on employers.

While the organization was already considering revising the employee healthcare strategy, the project became more urgent when they began uncovering, for example, a brand-name prescription that was four times higher than the equivalent generic. When asked to explain the pricing gap, the organization's PBM responded simply, "pharma plays games with pricing."

This lit the fuse to explore alternative vendors.

### Strategies Explored

Four diverse consultants — from traditional to disruptive — were interviewed about taking a medical and pharmacy request for proposal (RFP) to market.

This employer eschewed the predictable solutions of the traditional consultants for the most disruptive of the group. They also decided against brokers, who would have to be paid monthly on a project basis.

Executive leaders and benefits professionals were ready to push beyond the status quo by learning from their consultant about common PBM strategies that worked against them and how they could best advocate for employees and their families. This led to site visits with transparent PBMs that were willing to provide data and to satisfactorily answer a host of complex questions. Having the opportunity to see the facilities and meet with those who might be providing PBM services proved invaluable when it came time to compare and choose a partner.

The new PBM began on January 1, 2020. The transition was smooth, in part, because a dedicated pharmacist was assigned to the account and still works with the employer today. He not only answers their questions but also asks probing questions about things like impact on members, medical impact, rationale for making changes, pharmacy network preferences, utilization, and prices. The PBM's process and willingness to work through scenarios continues to exceed expectations.

## Key Learnings/Changes

The outgoing PBM, unhappy about being dropped, started charging for little things like access to data and file feeds. To avoid such a scenario, the employer recommends having a clear understanding of all contract provisions, even for organizations that are part of a purchasing coalition. Poor customer service and unexpected costs following the termination notice were disheartening and avoidable had they been covered in a contract.

Ultimately, plan design, network, and formulary all underwent changes, with very little pharmacy network disruption, even in rural locations. Here are some highlights:

- ▶ When the formulary was changed, about 100 drugs were grandfathered to minimize medical impact. Some of the therapy class drugs (e.g., MS drugs) were not the same.



- ▶ Plan design went from a high-deductible health plan to [reference-based pricing](#). This enabled a clear copay plan to set expectations for members at the point of care.
- ▶ A \$0 copay was implemented for the Affordable Care Act (ACA) preventive care list.
- ▶ Savings from having a transparent PBM were reinvested into the care of members to lower out-of-pocket costs.
- ▶ Shifted away from coinsurance to a flat copay.



This employer had no idea how PBMs made money and was astounded when they learned about [spread pricing](#). They mistakenly believed that if you got 100% of rebates, you had a good deal, only to learn that it was a small portion of PBM earnings (credits) from pharma. They did know, however, that consulting firms/brokers that have their own PBM purchasing collaboratives have a conflict of interest and get a kickback on prescriptions filled. The shift from trusting brokers and consultants without proof of ethical business practices has been a huge and positive change.

This employer has seen about a 6% total increase in pharmacy cost over four years — much less than experienced with the previous PBM. “Changing PBMs was one of our best decisions in recent years.”

### National Alliance Resources

- [PBM Placemats](#)
- [PBM Vendor Engagement Template](#)
- [Playbook for Employers](#)
- [Playbook on Biosimilars](#)
- [Employers Beware: Alternative Funding Program](#)
- [Fox Guarding the Henhouse](#)
- [Shawn Gremminger's Statement for the Hearing: 340B Drug Pricing Program](#)
- [Pharmacy Savings Calculator](#)

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340B PROGRAM

