



EMPLOYER PBM CASE STUDY

State of Tennessee Saves Millions by Removing Wasteful Drugs

Employer Profile

The State of Tennessee has about 286,000 covered lives on its plan. Rapid increases in drug costs triggered an analysis of the pharmacy plan, including reviewing the list of drugs on the waste-free formulary.

Concerns over employee experience previously prevented the state from implementing a restrictive formulary. As such, they were using the least restrictive formulary option offered by the PBM with all drugs covered unless specifically excluded by the plan.

Employer Situation

With ongoing unrestrained costs, the state eventually opted for a more restrictive formulary with a list of non-covered drugs and other products that require a medical exception process for the approval. A predictive analysis shows the state saving \$42.3 million in one year.

The state also implemented the PBM's hyperinflation management program which placed additional utilization management controls that have alternatives. This resulted in an estimated annual savings on \$9.5 million.

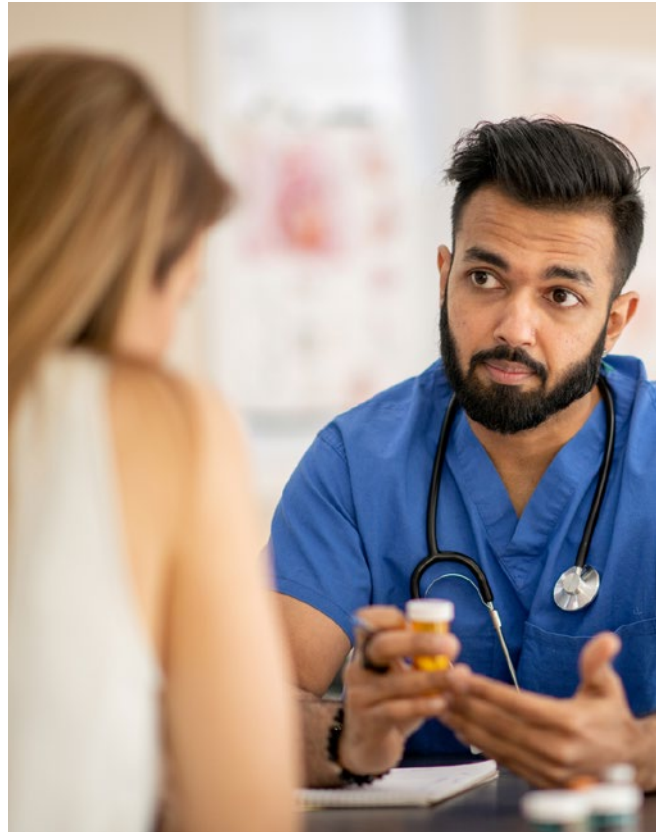
In addition, requiring strong utilization controls on drugs identified in the waste-free formula as low value, resulting in an additional savings of \$8.8 million.



Key Learnings/Changes

- ▶ The waste-free formulary list demonstrated that, even with the steps taken to manage pharmacy cost and utilization, there are always more opportunities to achieve greater savings with minimal impact on employees and their families.
- ▶ Learn what constitutes a wasteful drug. For example, a more expensive branded drug when a less expensive generic drug that provides the same clinical benefit is available.
- ▶ Understand why PBMs put more expensive drugs on the formulary; namely, because some drug manufacturers pay the PBMs for favorable formulary placement. Bigger fees paid to the PBMs mean bigger profits for them — and more expense for the plan and its members.

Source: *The Self-Insurer*, February 2021



National Alliance Resources

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

Learn more



MEDICAL AND
PHARMACY DRUGS



340B PROGRAM