How States Can Control Pharmacy Benefit Manager Contract Costs through Reverse Auctions

Tuesday, July 28, 2020
3:30 – 4:30 pm Eastern

This webinar is supported by Arnold Ventures.
<table>
<thead>
<tr>
<th>Trish Riley, Executive Director, National Academy for State Health Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christin Deacon, JD, Assistant Director of Health Benefit Operations and Policy and Planning, New Jersey Division of Pensions and Benefits, Department of Treasury</td>
</tr>
<tr>
<td>Alysha Fluno, PharmD, MBA, Chief Pharmacy Officer, Truveris</td>
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</tbody>
</table>

**Questions and Discussion**
Leading the Charge
How The State Of New Jersey Cut Pharmacy Costs Without Cutting Member Benefits

Christin Deacon
Director of Health Benefit Operations and Policy and Planning
New Jersey Division of Pensions and Benefit Department of Treasury, New Jersey

Alysha Fluno
Chief Pharmacy Officer
Truveris

NASHP – July 28, 2020
The Challenge

State of New Jersey – by the numbers
- 700,000+ members
- Annual spend of $2.2b
- 11 million+ claims
- Long-term relationship with incumbent PBM

Pharmacy benefit plans
- Large plan with many stakeholders
- Multiple, complex plan design and formularies
- Expensive
- Hard to measure and manage
- It’s a black box!
Reverse Auction Legislation

“We are rooting out PBM profiteering at the expense of New Jersey taxpayers and public employees.”

We are achieving enormous savings without any cuts in public employee benefits and no compromises in the quality of health care for hard working public employees and their families.”
A fresh approach: The PBM reverse auction

- Innovative, forward-thinking approach
- Scalable reverse auction platform
- Granular analysis of 100% of claims
- Levelled playing field among bidders for objective comparison
- Dynamic, competitive PBM marketplace lowered prices
- Entire process: weeks not months

THE PROCESS

1. Pre-Qualification Step
2. Sellers agree to contract terms
3. Sellers submit bids
4. Buyer compares round 1 bids
5. Sellers improve based on blinded results
6. Buyer compares round 2 bids
7. Buyer awards contract
PBM's are invited to bid

- RFP summary dashboard

SELLER AGREES TO CONTRACT TERMS
SELLERS SUBMIT BIDS
BUYER COMPARE ROUND 1 BIDS
SELLERS IMPROVE BASED ON BLINDED RESULTS
BUYER COMPARE ROUND 2 BIDS
BUYER AWARDS CONTRACT

Client Profile
- Sample State
- 750,000 members
- 300,000 plan participants
- Annual Spend: $2,000,000,000.00
- Channel Partner: Zayas
- Channel Partner Location: New York, NY
- Incumbent PBM: Market Comp #4
- Background Info: Cras fermentum enim aliquet nibh aliquet, et facilisi ex convallis. Sed vel neque vel elit tempor ...

Time Frames
- Invitations: 10/15/2019 02:02 PM EST
- First Round Bidding: 10/28/2019 02:03 PM EST
- Second Round Bidding: TBD
- Email Reminders: Every 5 Days
- Plan Start Date: 01/01/2020

Deal Type
- Broad
- 30 Day Retail Network
- Specialty Open Network

Results
- Market Comp #1 (Accepted)
- Market Comp #2 (Accepted)
- Market Comp #3 (Not Decided)
Creating a level playing field – terms, classification, & pricing

- Terminology and definitions are set and agreed-to upfront
- Helps state conduct side-by-side contractual comparisons
- The classification of drugs can unnecessarily increase spend and can impact rebate performance
- PBMs input proposed discounts
- This can be analysed on a claim-by-claim basis to give a more accurate proposal

*SAMPLE* Sample, deidentified data
First round results

- Detailed comparisons by PBM
- Forecasted total drug spend for side-by-side comparisons
- Estimated savings by PBM
- Comparisons includes readjudication of 100% historical claims data by each proposed PBM contract

<table>
<thead>
<tr>
<th>Status</th>
<th>Current Contract</th>
<th>Market Comp #3</th>
<th>Market Comp #1</th>
<th>Market Comp #2</th>
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<td>Ingredient Cost</td>
<td>$24,950,012</td>
<td>$22,499,738</td>
<td>$22,761,668</td>
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<td>Dispensing Fee</td>
<td>$181,734</td>
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<td>Admin Credits</td>
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<tr>
<td>Rebates</td>
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<tr>
<td>Performance Guarantees Risk</td>
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<td>$0</td>
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</tbody>
</table>

*Sample, deidentified data

*Plan & Member spend/savings assume same level of member cost share % as historical claims data.
Round 1 results: PBM see how their bids compared and improved

- Scored weighed by importance to the plan –configurable by plan

- Objective, third-party scoring, no misaligned incentives
Second round results

- Estimated savings by PBM
- Review improvement from first round

**Financial Summary: 3 Year**

<table>
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<tr>
<th>Status</th>
<th>Current Contract</th>
<th>Market Comp #3 (as of 6/14/09)</th>
<th>Market Comp #2 (as of 6/14/09)</th>
<th>Market Comp #1 (as of 6/14/09)</th>
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<td>($5,870,187)</td>
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<tr>
<td>Other Financial Considerations</td>
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<tr>
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<td>Proj. Current Plan Cost</td>
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<tr>
<td>Implementation Allowance</td>
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<td>Performance Guarantees Risk</td>
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<td>$0</td>
</tr>
</tbody>
</table>

*Sample, deidentified data*
Contract awarded

Bidder award

Winner

PBM B

$8.3b ➤ $6.69b

$1.6b Savings

Hello:

Please note that there is a new pending item posted regarding RFP #3042 for Sample State that requires your response by 11/01/2019 11:59 PM.

New Pending Item:
Congratulations! The Client has awarded their business to Sample PBM and has requested that Sample PBM provide an executable contract based on the final offer submitted in the TruBid platform. Please provide your ETA as we would appreciate a timely response to communicate to the client. Please provide contact information for your Implementation Manager, as well as for your Billing Contact (name, address and e-mail). Thank you for your continued assistance.

Please submit your responses through the portal here. Responses via e-mail will not be considered.

Thank you for your cooperation.

*Sample, deidentified data
PBM reverse auction process: Bid results 2017

Review of round 1 results and feedback is provided to sellers

Round 1
Sellers submit 1st round of bids

Sellers see competitive comparison ‘sharpen their pencils’

Round 2
Sellers submit 2nd round of bids

WINNER

PBM B

$8.3b  $6.69b

1.6b
Savings
Beyond the RFP: Ensuring ongoing PBM accountability and contract oversight

- The state employs continual contract performance monitoring for PBM accountability

*Sample, deidentified data*
Ongoing PBM accountability and oversight sample results

**2018**
- Custom Specialty Drug List 2018 $1.5 Million
- IV Fluid and Injections 2018 $2.2 Million

**2019**
- Specialty 30/90-day Supply 2018 $42 Million
- Prenatal Vitamin 2019 $1.1 Million
- Limits on Lost/Stolen Meds 2019 $12.5 Million
- Rx/OTC Exclusions 2019 $12.6 Million

**2020**
- DAW Override Criteria 2019 $1 Million
- Topical Dermatologic 2020 $346,000
- Probiotic 2020 $960,000
- Additional Injectable Exclusions 2020 $1.2 Million

**$86.9 Million**
Additional identified savings potential
Court ordered rebid

With all three suppliers evenly matched on price, quality and technical expertise, Mark resorts to his last remaining selection tool.
PBM reverse auction process: Bid results 2019

Review of round 1 results and feedback is provided to sellers

Round 1
Sellers submit 1st round of bids

5.98b
5.92b
6.49b

PBM A
PBM B
PBM C

Sellers see competitive comparison ‘Sharpen their pencils’

Review of round 2 results and feedback is provided to sellers

Round 2
Sellers submit 2nd round of bids

5.92b
5.8b
6.38b

PBM A
PBM B
PBM C

Request for bids

$6.1b

Compare round 1 bids

6.1b

5.8b

6.1b

6.49b

5.92b

5.71b

6.35b

6.1b

5.81b

$5.7b

480m Savings

Sellers submit 3rd round of bids

PBM reverse auction process: Bid results 2019

WINNER

PBM B

$6.1b ➔ $5.7b
Accrued savings over the life of the PBM contract

- $1.602 Billion 2017 RFP
- $403 Million 2018 Incremental Savings
- $567 Million 2019 Incremental Savings
- $485 Million 2019 RFP
- $3.057 Billion Total Savings

$3.057 Billion Total Savings
Cutting Costs
Without Cutting Benefits

truveris.com/SONJ
Q&A

Please type your questions into the chat box.
Thank you!

Your opinion is important to us. After the webinar ends, you will be redirected to a webpage containing a **short survey**. Your answers to the survey will help us as we plan future NASHP webinars.

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