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2024 ANNUAL CONVENTION

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Making Heads or Tails of Third-Party Contracts

NCPA 2024 Annual Convention and Expo

Columbus, Ohio

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Disclosure Statement

Benjamin Jolley has a financial interest with Apex Pharmacy Consulting and the relationship has been mitigated through peer review of this presentation. Joe Williams has a financial interest with Apex Pharmacy Consulting and MedSmart Pharmacy Group and the relationship has been mitigated through peer review of this presentation There are no relevant financial relationships with ACPE defined commercial interests for anyone else in control of the content of the activity.

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Pharmacist and Technician Learning Objectives

1. Demonstrate how to convert WAC to AWP.
2. Discuss how to interpret basis of reimbursement determination codes and their application to contract terms.
3. Outline the pros and cons of utilizing a PSAO versus contracting directly with the PBM.

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Basis of Reimbursement

- 00=Not Specified
- 01=Ingredient Cost Paid as Submitted
- 02=Ingredient Cost Reduced to AWP Pricing
- 03=Ingredient Cost Reduced to AWP Less X%
- 04=Usual & Customary Paid as Submitted
- 05=Paid Lower of Ingredient Cost Plus Fees Versus Usual & Customary
- 06=MAC Pricing Ingredient Cost Paid
- 07=MAC Pricing Ingredient Cost Reduced to MAC
- 08=Contract Pricing
- 09=Acquisition Pricing
- 10=ASP (Average Sales Price)
- 11=AMP (Average Manufacturer Price)
- 12=34ØB/Disproportionate Share/Public Health Service Pricing
- 13=WAC (Wholesale Acquisition Cost)
- 14=Other Payer-Patient Responsibility Amount
- 15=Patient Pay Amount
- 16=Coupon Payment – Indicates reimbursement was
- 17=Special Patient Reimbursement
- 18=Direct Price (DP)
- 19=State Fee Schedule (SFS) Reimbursement
- 20=National Average Drug Acquisition Cost (NADAC)
- 21=State Average Acquisition Cost (AAC)

Ask for more AWP/COG spread matters

Use cheapest drug available WAC/COG spread matters

Wholesale Acquisition Cost

- Price set by the manufacturer of a drug.
- The basis for your COGS for brand drugs from any wholesaler.
- The price at which manufacturers give you credit for returned expired product
- Remember the equation AWP = 1.2 times WAC.
- Put differently AWP /1.2 = WAC
- Put differently AWP times 83.33% = WAC
- Understanding that equation will make brand name reimbursements make a LOT more sense.

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WAC/AWP Math example

AWP for Drug A (30 tabs) today (9/25/24) is $4777.45

What's the WAC?

AWP/1.2= WAC

$4777.45 / 1.2 = $3981.21

Your cost at your wholesaler is likely WAC minus 2.5%, or put differently 97.5% of WAC.

0.975 * $3981.21 = $3881.67

Drug A is usually a "net-billed", "excluded" or "specialty" item.

WAC/AWP equivalency calculator

https://docs.google.com/spreadsheets/d/1lAQ7EAchTZdoZFCxodsISA1XQyFqPov2jqSuWPp-pAA/edit?gid=0#gid=0

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Effective Rates

- GER/BER
- When applicable, GER/BER trumps previous logic
- Effective rates are generally based on AWP
- Effective rate is a percentage of the pricing formula referenced
  - No matter the claim reimbursement, GER/BER is final determination of reimbursement
- Ex. AWP – 90%, Pharmacy/PSAO will be paid 10% of the combined AWP of all applicable claims

Effective Rate Nuances

- AWP definitions
  - "Outlier AWP"
- Claim inclusion/exclusion
  - Injectables
  - Discount Card claims (GoodRx/Caremark Cost Saver partnership)
    - Network ID ending in GDRX = GoodRx, SSRX = ScriptSave, etc etc.
- As of now, I believe GER only applies to commercial business
  - Some states have GER prohibitions in Medicaid
  - Medicare definition of "negotiated price" largely prohibits GER

Effective Rate Example

- Unobtainium has an AWP of $1200/30 tabs
- GER is at AWP minus 90%. $1200 (100%-90%) = $120
- Up front reimbursement = $5. True up payment of $105

- Inhalerthroid has an AWP of $400/box
- GER at AWP minus 90%. $400 *10% = $40
- Up front reimbursement $200, True up owing = -$160

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PBM A - Terms comparison

- Year 1 Terms:
  - 30 Day Brand: AWP minus 22.9% plus $0.20
  - 90 Day Brand: AWP minus 24.9% plus $0.00
  - Generics at AWP minus 55% or MAC plus $0.20/$0.00 30/90 days
- Year 2 Renewal Terms
  - 30 Day Supply Brand: AWP minus 22.7% plus $0.10
  - 90 Day Supply Brand: AWP minus 24.7% plus $0.00
  - Generics at AWP minus 55% or MAC plus $0.10/$0.00 for 30/90

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Direct Contracting Myths

- You will negotiate a better rate of reimbursement than your PSAO.
  - PSAOs are in the best position to negotiate on behalf of the collective, when everyone is doing the same thing, i.e. dispensing.

- You should have direct contracts with all PBMs.
  - One of the primary reasons to consider direct contracting, is so you can say, “YES!” to some and “NO” to others.

- PSAOs do not provide value.
  - Based on the traditional status quo, PSAOs provide a complete package of services that contribute to the success of independent pharmacy

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PSAO Pros and Cons

Pros:

Aggregated market share

More favorable terms

Easy Button

Price Floor: GER/BER

Bundle of support services beyond PBM contracting

Central Pay

Cons:

Delegated authority

More favorable =/= good

Easy comes at a cost

Price Ceiling: GER/BER

You just want Disney+, not Hulu and ESPN.

Central Pay is a lever of control

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Understanding Market Structure

Name	BIN	PCN	Plan Group Code
"NOT CONTRACTED" Aetna Medicare Advantra (HMO-POS) - H86...	610502	MEDDAET	H8649-003
"NOT CONTRACTED" Cigna Preferred Medicare (HMO) - H7389-00...	017010	CIMCARE	H7389-001
"NOT CONTRACTED"Cigna True Choice Medicare (PPO) - H7849-...	017010	CIMCARE	H7849-029
AARP Medicare Advantage from UHC UT-0003 (HMO-POS) - H460...	610097	9999	H4604-003
AARP Medicare Advantage from UHC UT-0004 (HMO-POS) - H460...	610097	9999	H4604-011
AARP Medicare Advantage from UHC UT-0008 (PPO) - H7404-021-0	610097	9999	H7404-021
AARP Medicare Advantage from UHC UT-0009 (PPO) - H7404-024-0	610097	9999	H7404-024
AARP Medicare Advantage Walgreens from UHC UT-0007 (HMO-P...	610097	9999	H4604-018
Advantage U Signature (PPO) H4304-001	004336	MEDDADV	H4304-001
Advantage U Signature Part B Buyback (PPO) H4304-002	004336	MEDDADV	H4304-002
Aetna Medicare Dual Preferred Plan (PPO D-SNP) - H5521-398-0	610502	MEDDAET	H5521-398
Aetna Medicare Value Plus Plan (PPO) - H5521-414-0	610502	MEDDAET	H5521-414
American Health Advantage of Utah (HMO I-SNP) - H4232-001-0	012312	PARTD	H4232-001
Humana Gold Plus H2486-003 (HMO) - H2486-003-0	015581	03200000	H2486-003
Humana Honor (PPO) - H5216-046-0	610649	03200004	H5216-046
HumanaChoice H5216-131 (PPO) - H5216-131-0	015581	03200000	H5216-131
HumanaChoice H5216-247 (PPO)	015581	03200000	H5216-247
HumanaChoice SNP-DE H5216-296 (PPO D-SNP)	015581	03200000	H5216-296
Molina Medicare Choice Care (HMO) - H5628-007-0	004336	MEDDADV	H5628-007
Molina Medicare Complete Care (HMO D-SNP) - H5628-001-0	004336	MEDDADV	H5628-001
Molina Medicare Complete Care Select (HMO D-SNP) - H5628-012-0	004336	MEDDADV	H5628-012
NOT CONTRACTED Aetna Medicare Choice Plan (PPO) - H5521-1...	610502	MEDDAET	H5521-101
NOT CONTRACTED Aetna Medicare Dual Preferred Plan (HMO D-...	610502	MEDDAET	H8649-003
NOT CONTRACTED Aetna Medicare Elite Plan (PPO) - H5521-246	610502	MEDDAET	H5521-246
NOT CONTRACTED Regence MedAdvantage + Rx Classic (PPO) -...	610623	02100000	H4605-002
NOT CONTRACTED Regence MedAdvantage Rx Enhanced (PPO)...	610623	02100000	H4605-004
Select Health Medicare Dual (HMO D-SNP) - H1994-015-0	015938	7463	H1994-015
Select Health Medicare Essential (HMO) - H1994-001	015938	7463	H1994-001
Select Health Medicare z+ Kroger (HMO) - H1994-022-0	015938	7463	H1994-022
Select Health Medicare zEnhanced (HMO) - H1994-007	015938	7463	H1994-007
SelectHealth Medicare Choice (PPO) H2246-018	015938	7463	H2246-018
Steward Health Choice Generations H9455-001 (HMO D-SNP)	004336	MEDDADV	H9455-001
UHC Care Advantage UT-E001 (PPO I-SNP) - H0710-069-0	610097	9999	H0710-069
UHC Complete Care UT-0006 (HMO-POS C-SNP) - H4604-017-0	610097	9999	H4604-017

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What does your PSAO do today?

- OIG/SAM checks
- FWA/HIPAA Training
- Reconciliation
- MAC appeal
- Audit prevention and audit assistance
- Individual Contract analysis
- PBM Contracting
- Central Pay

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What's Central Pay?

One of the functions that PSAOs serve is as a way for PBMs to reduce their own payments costs - transferring funds on behalf of thousands of pharmacies in one check is substantially less expensive than transferring funds to thousands of pharmacies on thousands of checks.

Some PSAOs benefit from this process because they are able to obtain a small amount of "float" (i.e. use of money and interest) on the funds in the time between their deposit from the PBM and their deposit into your bank account.

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All Payer Hold

One downside of Central Pay is that when one PBM suspects that you are committing fraud, they can request that your PSAO implement an “All Payer Hold” in which NO funds will flow from your PSAO to you from ANY PBM that pays you via central pay, not just the PBM accusing you of fraud.

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Transition period from PSAO to direct

- Central pay is a direct deposit process: ~1 day after funds are received by the PSAO, together with routing instructions in the form of 835 Electronic Remittance Advice, PSAOs deposit funds to your bank account.

- When you transition to direct contracting, PBMs will generally start mailing checks to you (rather than direct depositing)
  - This can slow down your cash flow by ~7-10 days due to the speed of the postal service AND the lag to actually deposit the check.

ACH Implementation

- When you transition to direct, you need to develop an allergic reaction to paper checks and paper remittance advice forms.
    - Any time you see a paper check, it's time to reach out to that PBM or spend some time on google or talking to your reconciliation vendor researching how to transition from paper check to direct deposit (and electronic remittance advice).
- Direct deposit (aka Automated Clearing House or ACH) means that you get paid as soon as the PBMs bank and your bank can clear the transaction.
    - This generally speeds up cash flow by 1-2 days vis a vis central pay, because the funds flow directly to your bank

Prompt Pay

- Most insurance law across the country requires payment of clean claims within 30 days of claim submission.
- Medicare requires payment within 14 days
- Some Medicaid programs will pay within 7 days.
- Pharma coupons are NOT insurance products and can pay anywhere from 30-180 days post claim submission

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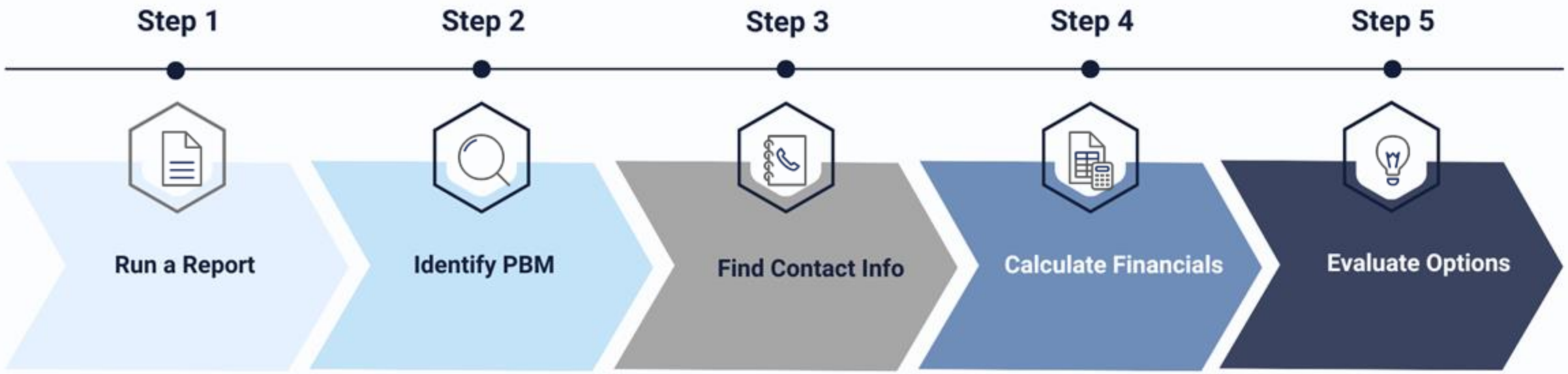
Analytics!



Run a dispense report in your system and create a pivot table of all of the BINs/PCNs and Network IDs

Correlate these to a PBM's name

Find that PBM's contact information.

Calculate a **profit per prescription** and a **REMIT** per prescription in the status quo

Decide if you could convince your patients to pay out of pocket if you don't take a PBM's agreement.

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PBM Contracting Departments

PBM:	How to Contact:
Caremark	Unnecessary - they'll just "drop you to independent terms"
OptumRx	independent.contracting@optum.com
ESI	ESIprovider.com - fill out PSAO change form to "unaffiliated Indy"
Prime Therapeutics/ Magellan	https://www.primetherapeutics.com/resources/pharmacy-network-request/
Navitus	providerrelations@navitus.com
MedImpact	pharmacyoperationssups@medimpact.com **Create account here:** https://pharmacy.medimpact.com/

PBM:	How to Contact:
MeridianRx	pharmacyservices@meridianrx.com
Select Health	SHPharmacyContracting@selecthealth.org
Humana	PharmacyContractRequest@humana.com
Liviniti (fka Southern Scripts)	https://liviniti.com/pharmacy-resources/
Ventegra	customercare@ventegra.com
CerpassRx	info@cerpassrx.com

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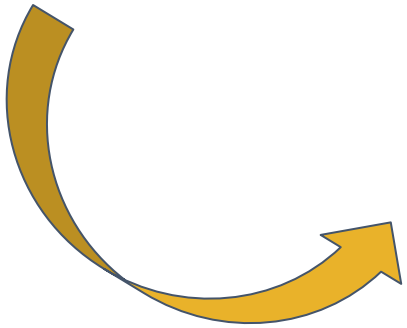
PBM:	How to Contact:
PDMI	pharmacyenrollment@pdmi.com
IQVIA/Opus Health	opus.enrollment@us.imshealth.com
SavRx	provider@savrx.com

BIN-PBM Crosswalk

This is a list of PBMs with a list of BINs they control and contact info, which was assembled from several data sources.



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Questions?

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