

Pharmacy Investigators and Consultants

Procurement Analysis

Prepared for: **SAMPLE REPORT**



PHARMACY
PROCUREMENT
PLATFORM

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What you need to know before you read this report

How Prescription Drug Programs are Priced

PBMs perform an amazing job of processing 400 million prescription drug claims a year, transferring funding between employers and health plans to pharmacies and generally making sure the American public stays healthy. PBMs need to get paid to do all of that work. PBMs charge for services in one of two ways. Under what is called Traditional programs, the PBM reimburses the pharmacy less than what it charges the employer for the same claim. Likewise, rebates are paid to PBM from manufacturers and not all the rebate money is passed back to the employer. That is called spread pricing. Under these programs, the spread that employers pay is not disclosed to the pharmacy or the employer. The other way PBMs charge is a per claim OR per primary member OR per all member fee. These programs are called pass through because spread pricing is not taken BUT a fully disclosed fee is stated. Also, under traditional programs, the client will only receive the discounts, dispensing fees and rebate guarantees that are stated in the contract and no more or no less. Under pass through programs, clients receive the guarantees as a minimum and if the PBM achieves better discounts, dispensing fees or rebates than expected, these funds are passed through by the PBMs. Since spread pricing is estimated at 10%, pass through programs should yield about a 10% savings over traditional programs and over the guarantees shown in our reports. These additional savings are especially apparent in programs that are older. As the year one guarantees become stale in years two and three, pass through amounts may exceed 30% over the guaranteed amounts.

No one is perfect. PBMs, under both traditional and pass through arrangements, estimate how the network and rebate contracts perform before a bid is issued. But market changes and how and where employees purchase drugs can affect the results at year end. That is why it is important that you make sure you audit every year. The first P3 report on the next page explains that and shows you how the PBM performed against the contract terms. And P3 clearly labels the PBM bids on the platform as Traditional or Pass Through so you know what you are buying.

Definitions

Contract definitions are really important. Most people think that a brand drug is a brand drug and a generic is a generic. Not true. What about a brand drug that has a generic alternative? Most PBM consider a drug like Lipitor as a brand drug when charging employers and a generic when reimbursing pharmacies. Let's call this definition spread. We think these definitions should be consistent using the unbiased third party pricing guide (called Medi-Span) or at least employers should pay attention to the definitions in the contracts when thinking about selecting a PBM. And specialty drugs are ALWAYS brand or biosimiliars and never generics.

Other Contract Terms

On the top of each PBM P3 report under the PBM's logo there is a box showing basic summary information. On the last row of the table, click on the hyperlink and review each PBM's contractual terms. Are the terms easy to understand? Did you compare definitions of brand, generic and specialty drugs among the PBMs? Do you want a contract for three years or one? What are the audit terms? Are you protected against fraud? What is the PBM's liability if they make a mistake? What specific services are they offering? Review these contracts carefully. P3 allows you to do this BEFORE you sign up for the program.

How We Reprice Claims

When you uploaded the current contract terms and the claims data file, at the bottom of your screen you probably noticed a message saying that the data was uploading and then that the data was being processed. Within a minute or two, here is what we did in the background:

- Based on the National Drug Code (NDC) that you provided in the data, we retrieved the unit price (i.e. per tablet) of the Average Wholesale Price from Medi-Span for the date the claim was filled.
- We calculated the discounts based on the ingredient cost (i.e. the cost of the drug that you paid the PBM). So, if the unit price was \$1 and 90 pills were dispensed (\$90 AWP) and you paid \$75.60, that means you got a 16% discount off AWP.

- We did that for all of the retail, mail order and specialty drugs by brand and generic claims.
- That is how we derived the reported and calculated costs on the next page. Reported costs are based on what the PBM promised in the contract. Reported costs are what you actually paid for the claims in the file. Is there underperformance? If so, you might need to audit to get a refund.
- For each of the PBMs, we calculated what the cost would have been had you been with that PBM for the same time period as the data you provided. We did not trend prices forward, or shift market share dependent on the PBM's formulary or anticipate that what drugs will become generically available and used by your members or anticipate what drugs will be approved by the FDA in the next three year. We did not anticipate what specialty drugs will or will not be approved after a Prior Authorization. Since this tool is a COMPARISON tool, it is used to determine the relative savings from each PBM. It is not a tool to predict the future of drug costs. U&C; (Usual and Customary claims, the cash price as determine by the pharmacy), compound claims and zero-balance claims (where members paid all of the cost) are not repriced but are included in the totals.
- Based on each PBM contract and how each PBM defines drugs, we may have moved certain drugs from generic to brand or brand to generic. This points to how important terms are in the contract. PBMs who consider multi-source brand as generics (Brand drugs with generic alternatives) will have less costs than PBMs who consider these drugs as brand because the discounts will be greater.

Support

We hope you find the P3 report useful in checking to determine if your current plan is market competitive or if there are other PBMs you want to consider. As you or your consultant review these reports, you may have questions about the P3 report, the PBMs on the platform or any information contained on our web page. If you do, we are a phone call or click away. Call us or email us with your questions and we will respond quickly.

Sincerely,

The P3 Team

Your current contract is analyzed below:

	Current Contract Reported	Current Contract Calculated	Difference
Short Term Retail Fills Brand Discount	18.00%	20.94%	\$32,099
Short Term Retail Fills Brand Dispense Fee	\$1.00	\$0.69	\$734
Short Term Retail Fills Generic Discount	78.00%	81.94%	\$104,802
Short Term Retail Fills Generic Dispense Fee	\$1.00	\$1.00	\$7,374
Long Term Retail Fills Brand Discount	19.00%	44.10%	\$939
Long Term Retail Fills Brand Dispense Fee	\$0.75	\$0.20	\$7
Long Term Retail Fills Generic Discount	80.00%	81.06%	\$150
Long Term Retail Fills Generic Dispense Fee	\$0.75	\$0.20	\$60
Mail Order Brand Discount	20.00%	32.90%	\$193,032
Mail Order Brand Dispense Fee	\$0.00	\$0.00	\$0
Mail Order Generic Discount	81.00%	91.85%	\$415,392
Mail Order Generic Dispense Fee	\$0.00	\$0.00	\$0
Specialty Brand Discount	20.00%	20.40%	\$12,661
Specialty Brand Dispense Fee	\$0.00	\$0.02	\$8
Specialty Generic Discount	80.00%	32.77%	\$132,421
Specialty Generic Dispense Fee	\$0.00	\$0.57	\$30

What this report means:

You entered the terms of the current PBM contract on the intake sheet and uploaded this information. These terms were compared to the actual performance of the current PBM based on the data you also uploaded. You should confirm that the claims data you uploaded was for the same time period as the contract terms (e.g. for the year 2019). If that is the case, then this report accurately compared the contract financial performance guarantees to the claims data provided.

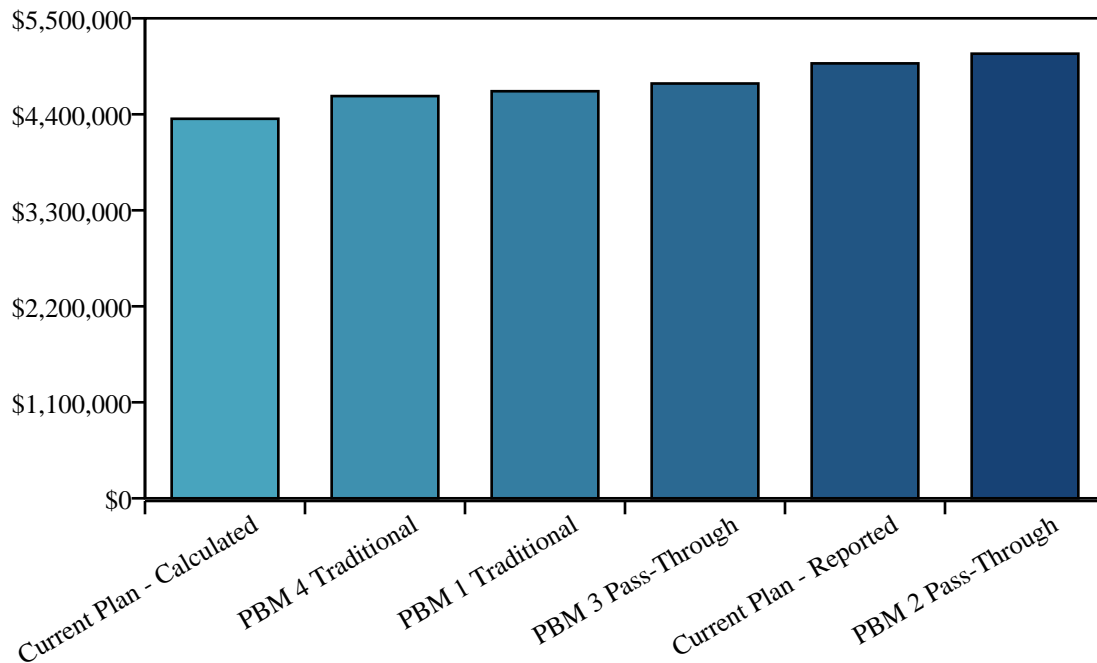
If the actual performance of the PBM exceeds the contract terms (is better than), the discount percentages, dispensing fee terms and the rebate terms, then these terms will appear in black. If the terms fall short of the performance guarantees, the terms appear in red. If the PBM underperformed, you (or your client) may be entitled to a refund and you should consider performing an audit of the PBM.

Throughout this report P3 shows two versions of your current terms: against actual performance (called "Calculated") and against the contract terms of your current PBM (called "Reported"). If your PBM is performing exactly as contracted, the reported and calculated amounts will be the same. If your PBM is underperforming, the calculated amounts will be greater than reported. If your PBM is overperforming, the calculated amounts will be lower than reported.

Your spend under the PBM bids are below:

Name	Total Costs	Total Admin Fees	Total Rebates	Net Spend
Current Plan - Calculated	\$5,566,830	\$201,545	\$1,218,220	\$4,348,610
PBM 4 Traditional	\$5,368,251	\$0	\$759,510	\$4,608,741
PBM 1 Traditional	\$5,675,260	\$40,309	\$1,010,790	\$4,664,470
PBM 3 Pass-Through	\$6,086,651	\$161,236	\$1,333,820	\$4,752,831
Current Plan - Reported	\$6,201,620	\$201,545	\$1,218,220	\$4,983,400
PBM 2 Pass-Through	\$5,829,907	\$201,545	\$735,300	\$5,094,607

The net spend is summarized below:



What this report means:

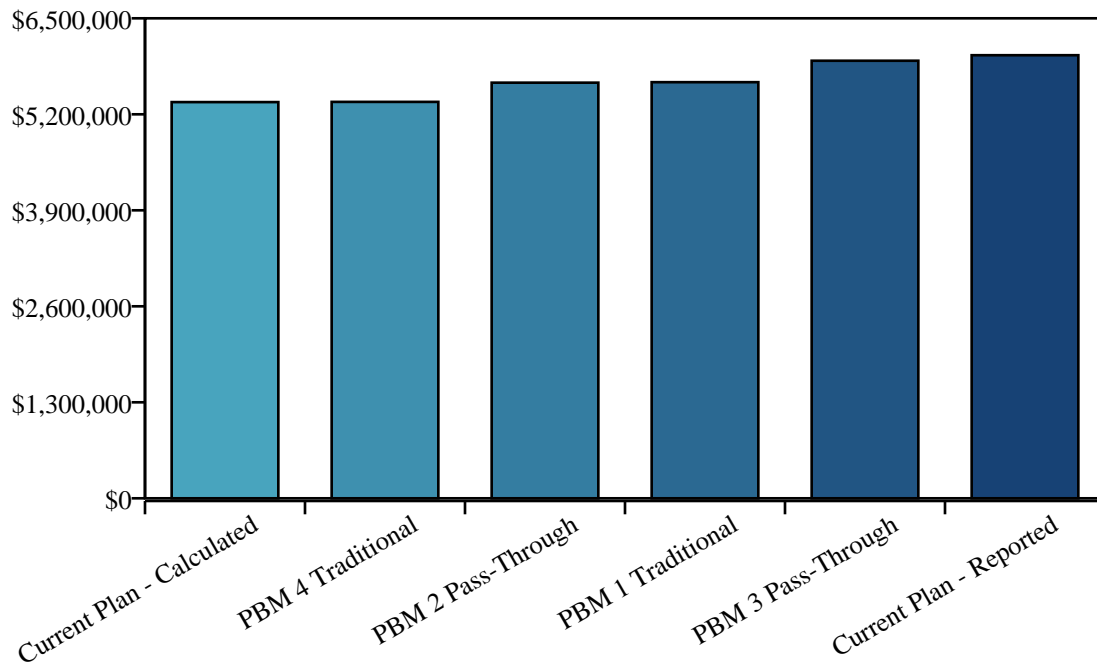
P3 calculated your (your client's) data against the bids above. Calculations were done based on the contract terms submitted by each PBM. Therefore, if one PBM's performance guarantees are based on multi-source brands defined as brand drugs, then calculations were done shifting current multi-source brands to the brand performance category.

This report illustrates the cost of prescription drugs had you contracted with the above PBMs during the same period as the claims data you submitted and against the contracted terms you also had with the current PBM. This report does not project costs in the future and therefore, has no trending built into the calculations. This report should be used as a comparison of the actual costs against the PBMs on the P3 Platform.

Your claim costs by Distribution Channel are below:

Name	Retail 30 Day Cost	Retail 90 Day Cost	Mail Order Cost	Specialty Cost	Total Ingredient Cost
Current Plan - Calculated	\$1,360,284	\$4,796	\$1,316,164	\$2,684,042	\$5,365,285
PBM 4 Traditional	\$1,340,730	\$4,863	\$1,628,936	\$2,393,722	\$5,368,251
PBM 2 Pass-Through	\$1,452,306	\$5,370	\$1,747,971	\$2,422,715	\$5,628,362
PBM 1 Traditional	\$1,442,454	\$5,316	\$1,763,632	\$2,423,549	\$5,634,951
PBM 3 Pass-Through	\$1,500,327	\$5,898	\$1,886,298	\$2,532,891	\$5,925,415
Current Plan - Reported	\$1,505,293	\$5,952	\$1,924,587	\$2,564,243	\$6,000,075

The total cost for each plan is summarized below:



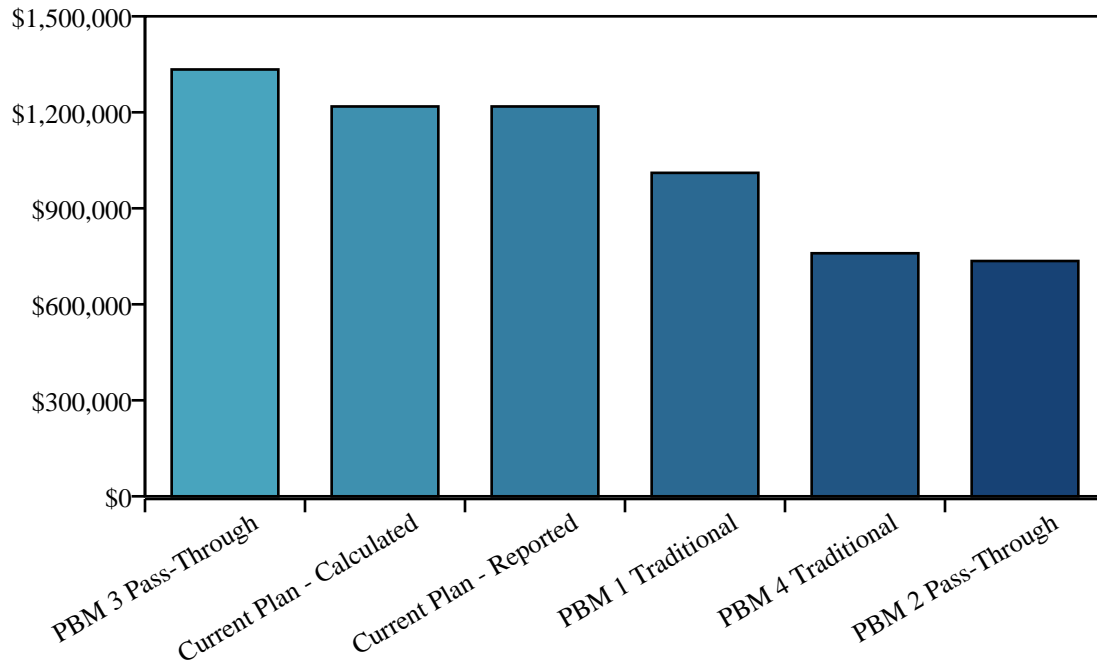
What this report means:

This report breaks down actual costs by distribution channel (retail short term/30 days' supply, retail long term/90 days' supply, mail order and specialty). This report allows you to compare each PBM on the P3 Platform against your data (both calculated or actual costs and reported or contracted terms). This report is useful in determining if there is a particular distribution channel that is not market competitive.

Your rebate guarantees by Distribution Channel are below:

Name	30 Day Rebates	90 Day Rebates	Mail Order Rebates	Specialty Rebates	Total Rebates
PBM 3 Pass-Through	\$523,020	\$4,760	\$764,340	\$41,700	\$1,333,820
Current Plan - Calculated	\$220,770	\$2,750	\$594,300	\$400,400	\$1,218,220
Current Plan - Reported	\$220,770	\$2,750	\$594,300	\$400,400	\$1,218,220
PBM 1 Traditional	\$392,265	\$3,570	\$573,255	\$41,700	\$1,010,790
PBM 4 Traditional	\$171,600	\$900	\$263,010	\$324,000	\$759,510
PBM 2 Pass-Through	\$171,600	\$600	\$239,100	\$324,000	\$735,300

The total rebates for each plan are summarized below:



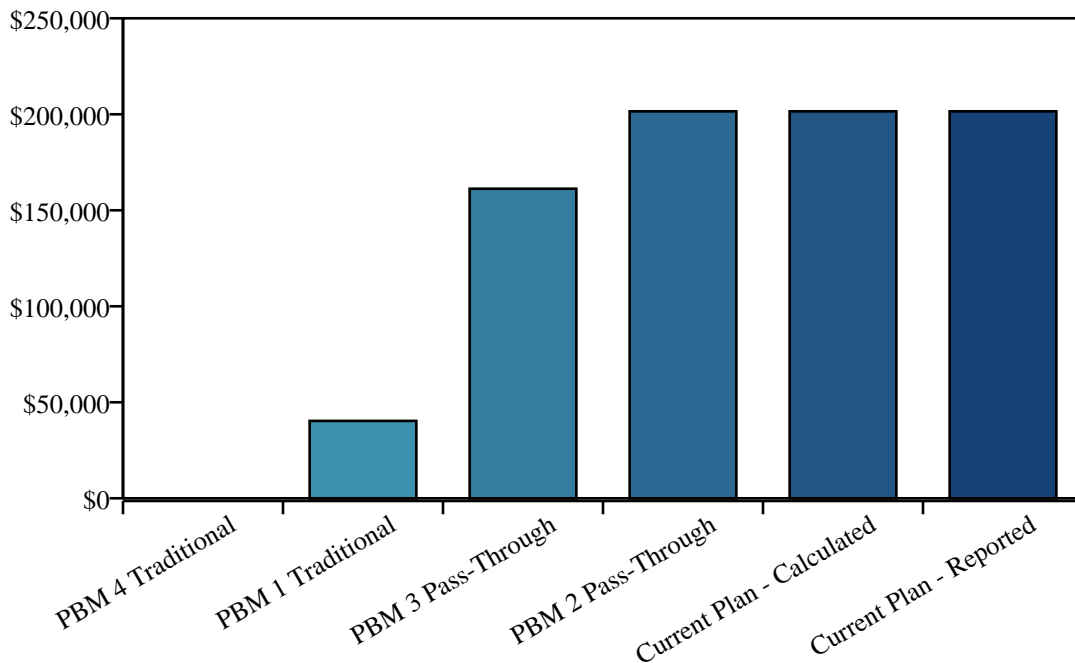
What this report means:

PBMs provide rebate guarantees based on distribution channel. Based on the claims data uploaded, this report calculates the total rebate amount and shows rebate guarantees by distribution channel. This report will be useful in determining if rebate guarantees are not market competitive. You should also be aware that in the case of pass-through PBM contract arrangements, clearly labeled, you should expect greater rebate amounts than guaranteed. Under traditional arrangements, you should only expect to receive the guaranteed amounts.

Your administration fees are shown below:

Name	Total Per Claim Admin Fees	Total Per Member Admin Fees	Total Admin Fees
PBM 4 Traditional*	\$0	\$0	\$0
PBM 1 Traditional*	\$40,309	\$0	\$40,309
PBM 3 Pass-Through*	\$161,236	\$0	\$161,236
PBM 2 Pass-Through	\$201,545	\$0	\$201,545
Current Plan - Calculated	\$201,545	\$0	\$201,545
Current Plan - Reported	\$201,545	\$0	\$201,545

The total admin fees for each plan are summarized below:



What this report means:

Administration fees are what the client pays for PBM services. In a traditional contractual arrangement, the PBM fees are taken from a “hidden” spread pricing arrangement. Under such an arrangement, the PBM reimburses the pharmacy less than what it charges the client. These amounts are undisclosed, and you do not know what you are paying for PBM services. Therefore, you will not pay a disclosed fee amount. Under a pass-through arrangement, the PBM is contractually obligated to reimburse the pharmacy the same amount as it charges the client. Therefore, you pay an administrative fee. These amounts pay for services like retail network contracting, account management, reporting and plan design/clinical programs. This report compares administrative fee arrangements.

*This plan's admin fee is not 'all-in' and there are other fees detailed in the contract.



PBM 2 Pass-Through			
Minimum number of covered lives: 0	Uses a MAC List: False	Plan design: Pass-Through	Tier Design: 2-Tier
Total Ingredient Cost: \$5,829,907	Total Admin Fees: \$201,545	Total Rebates: \$735,300	Net Spend: \$5,094,607
Click here to see contract.		Click here to see contact information.	

	PBM 2 Pass-Through
Short Term Retail Fills Brand Discount	17.00%
Short Term Retail Fills Brand Dispense Fee	\$1.00
Short Term Retail Fills Generic Discount	78.00%
Short Term Retail Fills Generic Dispense Fee	\$1.00
Long Term Retail Fills Brand Discount	18.00%
Long Term Retail Fills Brand Dispense Fee	\$1.00
Long Term Retail Fills Generic Discount	80.00%
Long Term Retail Fills Generic Dispense Fee	\$1.00
Mail Order Brand Discount	19.00%
Mail Order Brand Dispense Fee	\$0.00
Mail Order Generic Discount	82.00%
Mail Order Generic Dispense Fee	\$0.00
Specialty Brand Discount	20.00%
Specialty Brand Dispense Fee	\$0.00
Specialty Generic Discount	80.00%
Specialty Generic Dispense Fee	\$0.00

PBM 2 Pass-Through: This is a pass-through plan. In the actual report this box will contain details about the PBM.



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PBM 1 Traditional			
Minimum number of covered lives: 0	Uses a MAC List: False	Plan design: Traditional	Tier Design: 2-Tier
Total Ingredient Cost: \$5,675,260	Total Admin Fees: \$40,309	Total Rebates: \$1,010,790	Net Spend: \$4,664,470
Click here to see contract.			

	PBM 1 Traditional
Short Term Retail Fills Brand Discount	18.00%
Short Term Retail Fills Brand Dispense Fee	\$1.00
Short Term Retail Fills Generic Discount	78.00%
Short Term Retail Fills Generic Dispense Fee	\$1.00
Long Term Retail Fills Brand Discount	20.00%
Long Term Retail Fills Brand Dispense Fee	\$1.00
Long Term Retail Fills Generic Discount	80.00%
Long Term Retail Fills Generic Dispense Fee	\$1.00
Mail Order Brand Discount	21.00%
Mail Order Brand Dispense Fee	\$0.00
Mail Order Generic Discount	81.00%
Mail Order Generic Dispense Fee	\$0.00
Specialty Brand Discount	20.00%
Specialty Brand Dispense Fee	\$2.00
Specialty Generic Discount	80.00%
Specialty Generic Dispense Fee	\$2.00

PBM 1 Traditional: This is a traditional plan. This box will contain details about the PBM in an actual report



PBM 4 Traditional			
Minimum number of covered lives: 0	Uses a MAC List: False	Plan design: Traditional	Tier Design: 2-Tier
Total Ingredient Cost: \$5,368,251	Total Admin Fees: \$0	Total Rebates: \$759,510	Net Spend: \$4,608,741
Click here to see contract.			

	PBM 4 Traditional
Short Term Retail Fills Brand Discount	20.00%
Short Term Retail Fills Brand Dispense Fee	\$0.00
Short Term Retail Fills Generic Discount	80.00%
Short Term Retail Fills Generic Dispense Fee	\$0.00
Long Term Retail Fills Brand Discount	21.00%
Long Term Retail Fills Brand Dispense Fee	\$0.00
Long Term Retail Fills Generic Discount	82.00%
Long Term Retail Fills Generic Dispense Fee	\$0.00
Mail Order Brand Discount	22.00%
Mail Order Brand Dispense Fee	\$0.00
Mail Order Generic Discount	84.00%
Mail Order Generic Dispense Fee	\$0.00
Specialty Brand Discount	21.00%
Specialty Brand Dispense Fee	\$0.00
Specialty Generic Discount	80.00%
Specialty Generic Dispense Fee	\$0.00

PBM 4 Traditional: This is a traditional plan. In an actual report this box would contain details about the PBM.



PBM 3 Pass-Through			
Minimum number of covered lives: 0	Uses a MAC List: False	Plan design: Pass-Through	Tier Design: 2-Tier
Total Ingredient Cost: \$6,086,651	Total Admin Fees: \$161,236	Total Rebates: \$1,333,820	Net Spend: \$4,752,831
Click here to see contract.		Click here to see contact information.	

	PBM 3 Pass-Through
Short Term Retail Fills Brand Discount	16.00%
Short Term Retail Fills Brand Dispense Fee	\$0.00
Short Term Retail Fills Generic Discount	78.00%
Short Term Retail Fills Generic Dispense Fee	\$0.00
Long Term Retail Fills Brand Discount	18.00%
Long Term Retail Fills Brand Dispense Fee	\$0.00
Long Term Retail Fills Generic Discount	80.00%
Long Term Retail Fills Generic Dispense Fee	\$0.00
Mail Order Brand Discount	20.00%
Mail Order Brand Dispense Fee	\$0.00
Mail Order Generic Discount	82.00%
Mail Order Generic Dispense Fee	\$0.00
Specialty Brand Discount	21.00%
Specialty Brand Dispense Fee	\$0.00
Specialty Generic Discount	80.00%
Specialty Generic Dispense Fee	\$0.00

PBM 3 Pass-Through: This is a pass-through plan. In the actual report this will contain details about the PBM.

Current Plan - Calculated			
Minimum number of covered lives: None	Uses a MAC List: False	Plan design: Pass-Through	Tier Design: None
Total Ingredient Cost: \$5,566,830	Total Admin Fees: \$201,545	Total Rebates: \$1,218,220	Net Spend: \$4,348,610

	Current Plan - Calculated
Short Term Retail Fills Brand Discount	20.94%
Short Term Retail Fills Brand Dispense Fee	\$0.69
Short Term Retail Fills Generic Discount	81.94%
Short Term Retail Fills Generic Dispense Fee	\$0.70
Long Term Retail Fills Brand Discount	44.10%
Long Term Retail Fills Brand Dispense Fee	\$0.20
Long Term Retail Fills Generic Discount	81.06%
Long Term Retail Fills Generic Dispense Fee	\$0.20
Mail Order Brand Discount	32.90%
Mail Order Brand Dispense Fee	\$0.00
Mail Order Generic Discount	91.85%
Mail Order Generic Dispense Fee	\$0.00
Specialty Brand Discount	20.40%
Specialty Brand Dispense Fee	\$0.02
Specialty Generic Discount	32.77%
Specialty Generic Dispense Fee	\$0.57

Current Plan - Calculated: This represents our calculation of how your PBM performed according to the values we calculated from your claims data.

Current Plan - Reported			
Minimum number of covered lives: None	Uses a MAC List: False	Plan design: Pass-Through	Tier Design: None
Total Ingredient Cost: \$6,201,620	Total Admin Fees: \$201,545	Total Rebates: \$1,218,220	Net Spend: \$4,983,400

	Current Plan - Reported
Short Term Retail Fills Brand Discount	18.00%
Short Term Retail Fills Brand Dispense Fee	\$1.00
Short Term Retail Fills Generic Discount	78.00%
Short Term Retail Fills Generic Dispense Fee	\$1.00
Long Term Retail Fills Brand Discount	19.00%
Long Term Retail Fills Brand Dispense Fee	\$0.75
Long Term Retail Fills Generic Discount	80.00%
Long Term Retail Fills Generic Dispense Fee	\$0.75
Mail Order Brand Discount	20.00%
Mail Order Brand Dispense Fee	\$0.00
Mail Order Generic Discount	81.00%
Mail Order Generic Dispense Fee	\$0.00
Specialty Brand Discount	20.00%
Specialty Brand Dispense Fee	\$0.00
Specialty Generic Discount	80.00%
Specialty Generic Dispense Fee	\$0.00

Current Plan - Reported: This represents our calculation of how your PBM should have performed according to the values reported to us.