



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Update on Transition of Specialty Medications to the Pharmacy Benefit

Board of Trustees Meeting

December 20, 2016

A Division of the Department of State Treasurer

Specialty Drugs Transition Update

In May, the Board agreed to delay the transition of specialty pharmacy medications from the medical to the pharmacy benefit to evaluate the impacts of the Pharmacy Benefit Manager (PBM) transition and Medicare Coordination of Benefits:

- **New PBM Contract** – Both Express Scripts and CVS Caremark offer programs to support the transition of drugs from the medical benefit to the PBM. The customer experience for members and providers is different under each PBM’s model. Because the Plan did not want to introduce an approach to members only to revise it again a few months later, the rollout was delayed until the new PBM contract is in place.
- **Medicare Part B Requirements** – The majority of specialty drugs targeted for transition are considered by Medicare to be “Part B,” not “Part D” drugs. This means new claims processing rules need to be introduced at the PBM because the drugs currently covered by the PBM are only considered “Part D” drugs.
 - **Coordination of Benefits (COB)** – The PBM must coordinate benefits with Medicare at the point of sale for Medicare Primary members
 - **“Phantom B” Processing** – The PBM must also follow special Medicare COB rules outlined in GS 135-48.38, which require the claim to be processed as if the member had Part B coverage even if they did not enroll in Part B. While both PBMs have standard Medicare COB processing functionality, neither Express Scripts nor CVS Caremark has ever processed claims using the “Phantom B” rules and may have to build functionality to support it.

Specialty Drugs Transition Update

While work continues on the transition approach, the Plan has not been able to resolve the outstanding Medicare coordination of benefits (COB) issues.

- **Medicare Primacy** – CVS Caremark’s approach for determining Medicare primacy does not utilize the same data that other Plan vendors use which will require the development of new reconciliation processes between CVS Caremark and Benefitfocus
- **Reconciliation** – CVS Caremark does not currently provide any Medicare reconciliation services
- **Phantom B Processing** – CVS Caremark has not yet demonstrated the ability to meet this requirement

Specialty Drugs Transition Update

The importance of maintaining accurate Medicare primary information cannot be overstated. Medicare primacy is the key to:

- **Premium Rates** – Both the member and the group receive a reduced rate when the member is Medicare primary
- **Plans Design Options** – Medicare primary members in the Retirement System are only eligible for the Medicare Advantage Plans and the Traditional 70/30 Plan.
- **Coordination of Benefits** – Medicare pays first for members who are Medicare primary, and members who are Medicare primary but do not elect Medicare Part B must pay what Part B would have paid, even though they have not enrolled.

Specialty Drugs Transition Update: Next Steps

Medicare Processing

- Continue to work with CVS on Medicare processes to ensure all Plan requirements are met

Financial Analysis

- Refine savings projections based on CVS specialty medication approach

Implementation Plan

- Finalize rollout recommendation