



Pharmacy Benefit Administration

Board of Trustees Meeting
October 24, 2024

Pharmacy Benefit Management

- Impact of Pharmacy Benefit Mangers (PBM) on Independent Pharmacies
 - Independent Pharmacy presentation to the Board at the April 2024 meeting
 - Board moved to investigate concerns raised by presentation
 - Pharmacy reimbursements
 - Oversight and audit
- Observations on the health care marketplace

National Health Care Issues

- **Challenges faced by insurers, including the State Health Plan**
 - Maintaining financially sustainable health care plans
 - Rising cost of prescription medication
 - Lack of competition in the health care industry
- **Challenges faced by Independent Pharmacies**
 - Low reimbursement costs
 - Competition from chain pharmacies
 - Limited bargain power
- **Leveling the playing field**
 - Market changes
 - State legislation
 - Contract negotiation

State Health Plan Contract Terms

- Request for Proposal (RFP) developed in consultation with experts in health care industry
- Transparent (Pass-Through) PBM Pricing Model
 - Compensate PBM through payment of administrative fee
 - Rebate dollars submitted in bid in the form of binding minimum guarantees
 - Offers greater visibility into the actual costs and fees associated with managing pharmacy benefits
- Monitor PBM practices
 - In-house oversight and management
 - Contract with Plan actuaries (Segal) and auditor (Myers & Stauffer)
- Terms that support Independent Pharmacies
 - Require network of independent and retail chain pharmacies in all 100 counties
 - Promote member awareness of pharmacy options

State Health Plan Created Exclusively for its Members



Specific Questions Addressed

- Investigate why CVS Caremark reimburses pharmacies at different rates.
- Ask CVS Caremark why they often reimburse below medication acquisition cost.
- Review the Pharmacy Benefit Manager bid process. Are rebate dollars submitted in bid?
- Utilize a 3rd party advisor to investigate CVS Caremark's claims (spread pricing, fair reimbursement, Maximum Allowable Cost (MAC) appeal success rate, rebate pass through, etc.)
- Investigate Direct and Indirect Remuneration (DIR) fees imposed by CVS Caremark.
- Ask CVS Caremark how they can contract with GoodRx/other PBMs to adjust prices and to review the language in the contract.

Pharmacy Reimbursements

- State Health Plan contract with CVS Caremark prohibits spread pricing
 - Pharmacies receive 100% of Plan reimbursements
 - Affirmed by internal review
- Reimbursement rates determined by contractual negotiations
 - Pharmacies may negotiate pricing applicable to them
 - Pricing may fluctuate based on market conditions
 - Internal review of pricing appeal process reveals low number of appeals, but with success rate in line with expectations.
- Pharmacy Performance Program Adjustments
 - Requested information from CVS Caremark on performance program adjustments applicable to Plan claims
- GoodRx program terminated

Oversight and Audit

- Myers and Stauffer – independent third-party auditor:
 - Conduct audits to compare generic price lists to industry benchmarks
 - Conduct audits to ensure CVS Caremark passes through full value of negotiated rebates, discounts, and other financial incentives
 - Conduct audits to ensure CVS Caremark compliance with plan design and benefit provisions
- Segal – Plan’s third-party health benefits actuarial advisors:
 - Support development of rigorous RFP bidding process
 - Monitor Plan financials using claims data
 - Performs periodic market checks to ensure pricing remains competitive
- Internal Plan Staff Review