MAKING THE CASE FOR STATES ESTABLISHING PBM STANDARDS

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Arkansas State Employees Plan

- Collaborative educational effort with State
- Shined light on practices of PBMs
- Pharmacists pushed State to audit PBM, was discovered that State was overcharged almost $500k in just a 3 month period of time
- State ultimately issued a new transparent RFP for State business
- Common sense changes to pharmacy benefit have lowered PMPM expenses & directly saved the state over $13M!
## Rate Schedule Example

<table>
<thead>
<tr>
<th>Drug</th>
<th>MAC 1</th>
<th>MAC 2</th>
<th>MAC 3</th>
<th>MAC 4</th>
<th>MAC 5</th>
<th>MAC 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>.10</td>
<td>.12</td>
<td>.14</td>
<td>.17</td>
<td>.20</td>
<td>.25</td>
</tr>
<tr>
<td>B</td>
<td>.12</td>
<td>.15</td>
<td>.20</td>
<td>.24</td>
<td>.28</td>
<td>.32</td>
</tr>
<tr>
<td>C</td>
<td>.30</td>
<td>.33</td>
<td>.40</td>
<td>.45</td>
<td>.50</td>
<td>.60</td>
</tr>
<tr>
<td>D</td>
<td>.58</td>
<td>.60</td>
<td>.75</td>
<td>.85</td>
<td>.95</td>
<td>1.10</td>
</tr>
</tbody>
</table>

## HOW DOES THE MATH WORK?

\[
\begin{align*}
\text{Employer Charged} & : \quad $0.20 \\
\text{Pharmacy Paid} & : \quad -0.10 \\
\text{PBM Pockets} & : \quad $0.10
\end{align*}
\]
HARPS Grocery Store Example

- Reviewed data from their PBM compared to their in store pharmacies
- Had data to compare because their employees fill prescriptions at in house pharmacies
- Occurred in late 2005
- Average spread per generic prescription ~ $9.00
- No spread on brand names, but PBM kept all rebates

Hot Springs Village Example

- Data from Nov & Dec 2006
  - Compiled with help of local pharmacy
- $45.50 – Avg. Generic Employer Cost
- $22.95 – Avg. Generic Pharmacy Reimbursement
- PBM created average spread of $22.45 on every generic prescription.
- Spread was unknown to employer