



PRESCRIPTION BENEFIT MANAGEMENT SERVICES

presented to
MMFOA Advance Program

Chris Robbins

Arxcel

Excellence in Prescription Benefit Management



PHARMACY BENEFIT TRENDS

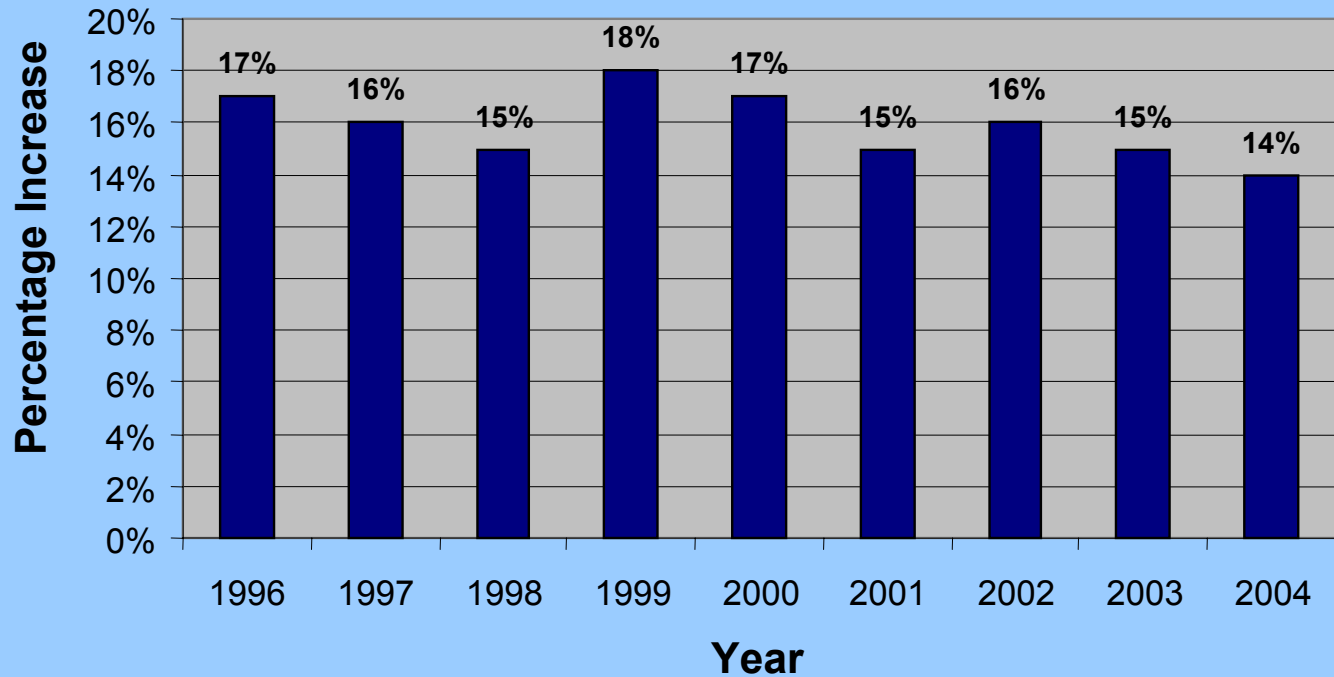
◆ Cost Drivers

- Escalation in Drug Spending
- Increased Utilization
- Direct-to-Consumer Advertising
- New Drugs & Guidelines



COST ESCALATION

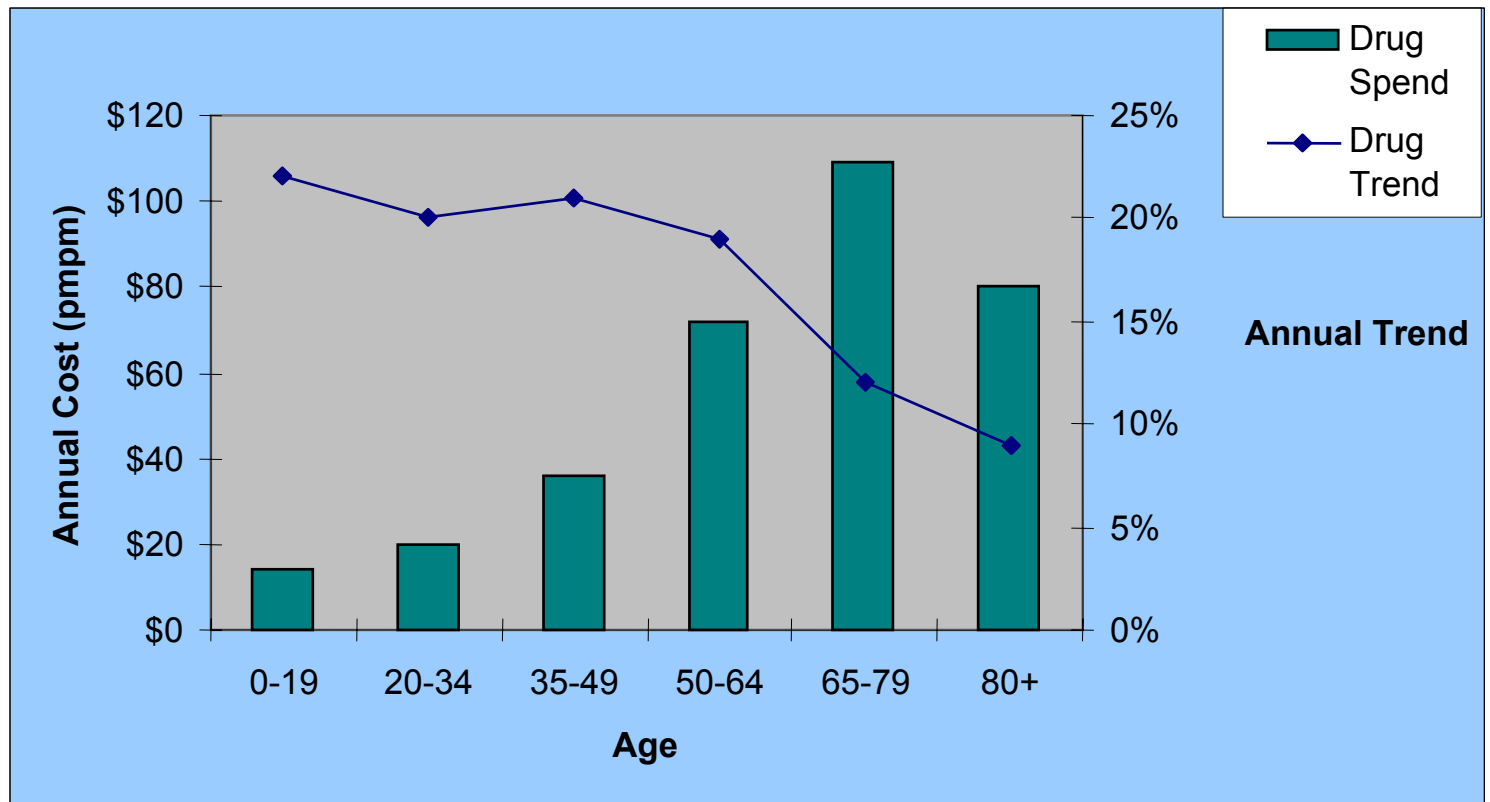
PMPM Cost Increases 1996-2004



Source: Express-Scripts Drug Trend Report



AGE, TREND & SPEND



Source: Medco Health



TOP CLASSES OF DRUGS

Top Therapeutic Classes	
CLASS	SALES
Proton Pump Inhibitors	\$13.2 M
HMG-COA Reductase Inhibitors	\$11.5 M
SSRI's/SNRI's	\$11.1 M
Antihistamines	\$ 6.4 M
Antipsychotics	\$ 6.2 M

These Five Classes Represent 22% of Total Sales

Source: NDC Pharmaceutical Audit/NDC Health



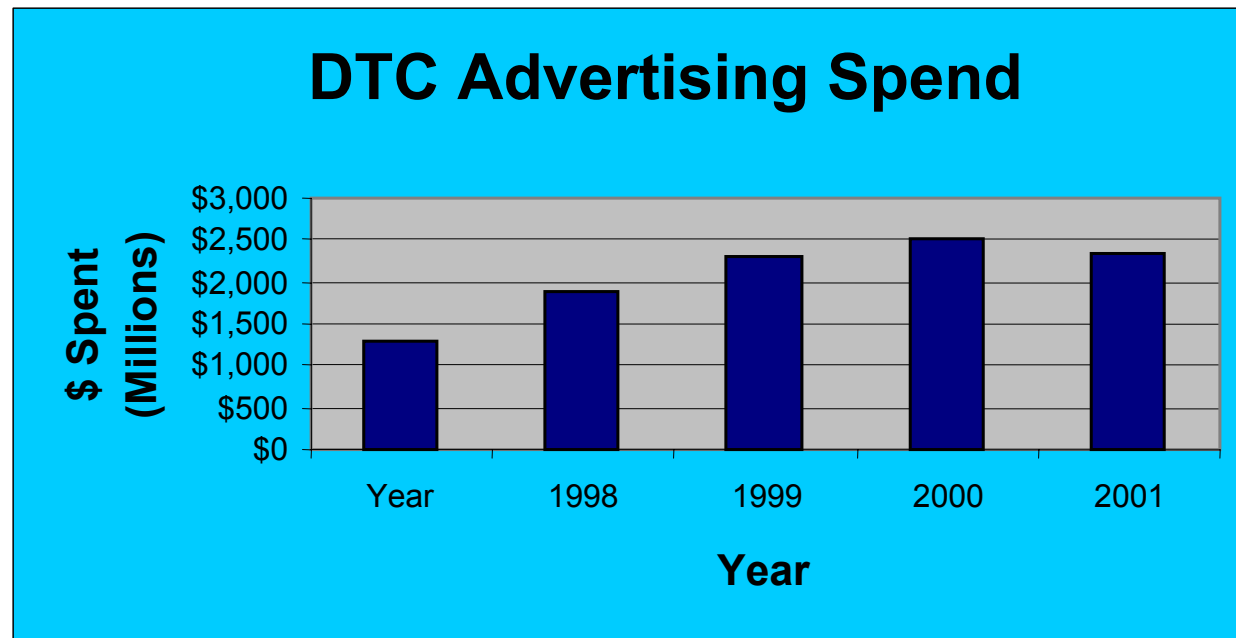
D-T-C ADVERTISING

Top DTC Products 2002		
Product	Manufacturer	\$ Spent
Nexium	<i>Astra Zeneca</i>	\$167 M
Clarinet	<i>Schering-Plough</i>	\$127 M
Allegra	<i>Aventis</i>	\$109 M
Zyrtec	<i>Pfizer</i>	\$74 M

Source: *In Vivo: The Business & Medicine Report*, Jan. 2003



ADVERTISING OF DRUGS



Source: NIHCM, NDC Health



PATENT EXPIRATIONS

Patent Expirations	
DRUG	YEAR
Accutane	2002
Axid	2002
Cardura	2003
Cipro	2003
Diflucan	2004
Flonase	2003
Flovent	2003
Glucophage	2002
Lamisil	2005
Lupron	2004
Prilosec	2003
Prevacid	2005
Procrit	2004
Zithromax	2005
Zocor	2005
Zoloft	2005

Source: NDC Health



NEW DRUG GUIDELINES CHOLESTEROL DRUGS

- ◆ More emphasis on lipoprotein level
- ◆ Focus on identifying those at risk
- ◆ More aggressive treatment to lower cholesterol
- ◆ Will increase number of people using cholesterol drugs



CLIENT CASE STUDY

- ◆ **New York County Government**
 - *1600 Employees – Multiple Bargaining Units*
 - *Retirees Covered*
 - *Rural Location with Medical Benefits Provided thru BCBS*

- ◆ **Data Evaluation To Model Potential Plan Design Changes**
 - *Modeling to look at financial ramifications*
 - *# of Rx's Affected*
 - *# of Members Affected*
 - *Look to Measure "Noise"*



CLIENT CASE STUDY

- ◆ Pharmacy Benefit Manager (PBM) Evaluation
 - *Current PBM was performing well, program carved out from medical benefit*
 - *Entered into contract renegotiation*
 - *Lowered fixed costs (administrative fees, rebates and ancillary fees)*
 - *Lowered administrative costs 6.8%*
 - *PBM received two year contract extension*



CLIENT CASE STUDY

◆ Program Design Changes

- *Client had previously entered into a 3 Tier Copayment Program*
- *Move all Proton Pump Inhibitors and Non-Sedating Antihistamines to Third Tier*
 - *Claritin and Prilosec are available over the counter (OTC)*
 - *10.8% Cost Savings*
- *Add Specialty Injectable Program*
 - *Copayment Incentive*
 - *Prior Approval Criteria for all self injectables*
 - *2.5% Cost Savings*

◆ Recommendations – January 1, 2004

- *Step Care Protocol*
- *Prior Approval Programs*



SUCCESS MEASUREMENT

◆ Financial

- PMPM Cost
- PMPM Utilization
- Generic Substitution
- Cost Share

◆ Qualitative

- Patient Satisfaction
- Positive Outcomes/Quality

◆ Benchmarks

- Previous Time Periods
- National Trends
- Regional Costs

◆ Time Periods

- Quarterly
- Annual
- Quality will be ongoing



GOALS OF PROGRAM

- ◆ Reduce Overall Expenditures
- ◆ Increase Quality of Care to Patients
- ◆ Access to Data for Assistance in Program Evaluation
- ◆ Increased Employee Satisfaction



INSURED VS. SELF FUNDED

- ◆ Employer Size May Dictate Funding Methodology
- ◆ Many carriers have excess margin in Rx rating
- ◆ Little to no flexibility in plan design
- ◆ Little information available to evaluate plan performance
- ◆ Programs do provide for cost budgeting and risk protection
- ◆ Carving Out Rx Programs
 - Reduced Administrative Fees
 - Collection of Rebates
 - Plan Design Flexibility
 - Data for Budgeting and Plan Design Strategy
 - Enhanced Administration
- ◆ Modeling Cost Impact
 - Actual Experience
 - National Norms



Arxcel, Inc./Client - GOALS

- ◆ Assist Client with management of prescription drug costs
- ◆ Counsel Client with industry-leading consulting experience
- ◆ Help Client to maintain quality healthcare for membership
- ◆ Foster positive relationships with industry partners



Arxcel Inc. *Benefit Philosophy*

- ◆ “Not how much you pay for the drug, it is what drugs you pay for”
- ◆ “Look at cost, not price”
- ◆ “No such thing as cheap bad medicine”



ADDITIONAL RESOURCES

- ◆ www.arxcel.com
 - Industry Links
 - Newsletters
 - Rx Management Trends and Techniques
 - Case Studies
 - 2003 Prescription Benefit Survey
 - Employer Perspectives
 - Trends
 - Solutions



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