C.2

State of Arkansas

July Post Meeting Requests

August 2021 / Patrick Klein, Matthew Kersting, and Ken Vieira

Segal

Follow Ups

Change to Budgeted Positions (Covered)

Bariatric Surgery (Covered)

Review of Passed Acts

Comparison of Medical Discounts and Administrative Fees

Review of Passed Acts

- Were provided summaries of roughly 90 Acts passed between 2017-2021
- Our concise review indicated that none of these were expected to materially impact the financial viability of the plan on the medical side.
- For Rx, there are a few Acts that are worth commenting on:
  - Act 994, PBM. Pass Through versus Spread Pricing or variations of these pricing options offered by PBMs to plan sponsors generally have no difference in profit margins to PBMs. A pass through model where the PBM negotiated retail discount is passed through to the plan sponsor shifts risk to the plan sponsor. These models are associated with a per prescription administrative fee charged to the plan sponsor as the PBM profit margin. A spread model where the PBM negotiates one rate with retail pharmacies and charges plan sponsors another rate keeping the difference as their profit margin puts more risk on the PBM which is desirable for some plan sponsors.
  - Act 1103,340B. The 340B drug program was intended to provide low cost drug therapy for patients in need meaning those that were either uninsured, under insured or otherwise in financial need. The reality is the program has been used as an enormous profit center for pharmacies and providers and has not led to lower cost for patients or plan sponsors. The 340B pricing act limits what manufacturers and affiliates can do to limit how the program is used and some would argue inappropriately used. Federal reform is needed in the 340B program.
  - Act 1104, Insulin. We believe the intent of the act was to limit member cost share for insulin by requiring all discounts, rebates, coupons, manufacturer admin fees, price concessions and product discounts or fees related to the procurement of inventory be given to patients at the point of sale. The way the law is currently written means that a plan sponsor has lost all ability to negotiate with a manufacturer of insulin and there is no requirement that the manufacturer offer any concession on their price to patients. Plan sponsors and their PBMs have been restricted in using their size and scale to negotiate with drug manufacturers. Also retail pharmacies may be impacted by the restriction on discounts/fees on procurement of inventory. A more appropriate solution to limit member cost share is to write into law a cap on member cost share as many other states have done so that insulin cannot exceed a certain dollar amount per month. The most common caps are $25 and $100 per month depending on the State. This would take away the burden of cost share on the member and still allow the plan sponsor to effective negotiate price, rebates, discounts, etc to lower their cost. Act 1104 as currently written will lead to increased plan sponsor cost and may lead to increased patient cost. Depending on the type of insulin and the manufacturer as much as 50% of the cost may be returned to plan sponsors in the form of manufacturer rebates which is now removed in Act 1104.

Recommend that future Acts require actuarial notes to quantify impact

Administrative Fee Comparison

- EBD pays BCBS an Administrative Fee of $20.55 Per Member Per Month (PMPM)
- The fee covers claims administration, network administration, and some medical management
- According to a Sherlock benchmark study, for a group the size of EBD, a reasonable range is between $20-$30 PMPM
- We think the fee is competitive when compared against other State clients, however the services covered does vary from group to group

Discount Comparison

Process

- Conducted UDS Analysis comparing the current network (BCBS), against Aetna, Cigna, and United Health Care
- Used EBD specific census to map members by 3-digit zip
- Discounts split out by IP, OP, and Physician services

Results

- BCBS shows the best in aggregate discounts based on your members locations
- Cigna and UHC are within a reasonable range
- Aetna not competitive per the output

For more specific results, require vendors to reprice actual claims within RFP process

Q&A