Employers Health group purchasing extends well beyond pharmacy benefits. We also establish and manage group purchasing contracts for vision and dental benefits, EAP services and transparency tools. Members gain a group purchasing solution with best-in-class suppliers. What's more, members receive best-in-class supplier support.

Employers Health Pharmacy Trend Less Than 1% in 2015

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For 2015, clients in the Employers Health pharmacy benefit management (PBM) solution experienced an overall average per member per year (PMPY) cost trend of nine-tenths of one percent. While drug price inflation, utilization of expensive specialty medications to treat diseases such as hepatitis C and greater utilization increased trend, pricing improvements due to the Employers Health annual price negotiations and continued utilization of generic medications moderated trend to the nearly flat level.

As explored in a recent series of four webinars addressing effective pharmacy management, gross trend is driven by several key components: price, drug mix and utilization. Each of these components is influenced by both market forces that most plans can't control, as well as by strategies completely within the control of plan sponsors. It's important to recognize each and evaluate which strategies make sense for your plan.

Price typically refers to the contracted rates your plan pays for medications. These rates, often set in terms of a discount off of Average Wholesale Pricing (AWP), dispensing fees, administrative fees and rebates, should be stated in your contract with the PBM or your health plan if carved-in. “List prices” for drugs, such as AWP, have gone up significantly for branded medications over the better part of the past decade, particularly as those branded products neared the end of their patents when a direct generic product could be released. To combat this price inflation, plans need sound contracting strategies, as well as plan design strategies to drive utilization away from these higher cost brands and to more cost-effective generic medications. Knowing your contracted rates is a good first step in managing price.

Drug mix refers to the types of medications being dispensed under your plan. Typically, we look for the “mix” of brand, generic and specialty medications being utilized by plan participants. Market forces, such as the launch of a new biologic product or the launch of a generic, certainly impact this component of trend. However, good plan strategies, such as effective formulary management, step therapies and prior authorizations also contribute to overall trend. A key metric for most plans is the generic dispensing rate (GDR). This metric measures the percent of a plan’s overall prescriptions that were dispensed using a generic medication. In 2016, most plans should strive for a GDR at 85% or greater.

Utilization refers to the quantity of medications being dispensed under your plan. It may also look at where this utilization occurs. Certain market forces, such as an aging population or new drug launches for previously untreated conditions, may push utilization higher for most plans. While not all utilization increases are bad, particularly if used for controlling chronic disease, sound plan management, including quantity limits on frequently misused medications or prior authorization criteria to ensure the right patients have access to medications, is commonly employed by plan sponsors.

The cost for medications, including those paid for under the pharmacy benefit and the medical benefit, now account, on average, for nearly 30 percent of overall health care costs. Benefit plan managers should seek to understand how each component of trend – price, mix and utilization – is contributing to their overall plan costs and implement strategies with trusted partners that maximize value. The team at Employers Health is here to help!

NOW THAT WE’VE COVERED THE COMPONENTS OF TREND AT A MACRO LEVEL, LET’S LOOK SPECIFICALLY AT THE KEYS TO TREND MANAGEMENT FOR PLAN SPONSORS THAT PARTICIPATED IN EMPLOYERS HEALTH’S PBM SOLUTION IN 2015.

> The annual price check conducted by Employers Health with benchmarking from a third-party national pharmacy consultant, resulted in improved contracted discounts, fees and rebates effective Jan. 1, 2015. This same process was used to improve pricing Jan. 1, 2016 and will be used again for Jan. 1, 2017.

> Formulary management, including the use of brand exclusions, drove improved rebates for brand medications, particularly specialty brands. Going forward, however, more aggressive formularies that curtail the use of non-specialty brand medications will be a key component of trend management.

> Clinical management, including sound criteria for hepatitis C medications and restrictive criteria for compound medications and a new class of cholesterol lowering medications (PCSK9 inhibitors), was adopted by most plan sponsors.

> Continued adoption of step therapy and other strategies increased the utilization of lower cost generic medications.

> The annual audit, conducted on 100% of the claims processed under Employers Health’s contract by a third-party auditor, ensured that the contracted pricing was applied correctly for each claim.