

2022 Market Check

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Momentum takes many forms. Sometimes momentum comes from maintaining and improving upon tried-and-true methods, and sometimes it comes from blazing new trails...

For 2022, Employers Health secured its third consecutive record-setting-year for pricing improvements attained through the Market Check, and if current trends continue it will be the third-consecutive record for net growth of the Employers Health pharmacy coalition. Many factors contribute to this momentum, from the tireless efforts of our business development team to secure new business, to the white-glove service provided by our client solutions and clinical teams. But the greatest contributors to this string of success are the momentum we are building in the pharmacy consulting community and the truly collaborative relationship Employers Health has built with its clients and PBM suppliers.

As in years past, Employers Health began the 2022 Market Check process roughly 16 months in advance. In September 2020

Employers Health engaged a national pharmacy practice to gather market intelligence on 2022 pricing as it existed in the fall of 2020. This information combined with the market intelligence Employers Health continuously gathers from its sales efforts and the consulting community were used to form the substance of Employers Health's first pricing proposal to our PBM providers in January 2021. And, as is customary, negotiations ensued for the next several months

– until things got a little turbulent.

The purpose of a Market Check is to ensure that the pricing enjoyed by Employers Health clients is always competitive. The only way to do this is to compete in the marketplace. As of the writing of this article, Employers Health has competed in over 200 opportunities for new business effective January 1, 2022. Win or lose, it is the feedback that we receive from the pharmacy consulting community during these competitive

Opportunities that gives us the tools we need to work with our PBM providers to ensure that EH clients always have competitive pricing.

In the fall of 2020, the national pharmacy practice we engaged confirmed that the pre-Market Check pricing we already had in place for 2022 was very competitive. And, in the early part of 2021, the feedback we received from the pharmacy consulting community echoed that sentiment; however, somewhere between March and April that story started to change, and by May of 2021, Employers Health's pricing for 2022 was beginning to lag.

Every few years, pricing in the PBM marketplace gets a little turbulent for any number of reasons, and that certainly was the case for the 2022 Market Check. Much of the competitive pressure this year came from carve-in arrangements with major health plans, but a fair amount of pressure also came from competing coalitions. One of the challenges that goes with Market Check negotiation is accurately assessing where the market is and where it is going. Often, market intelligence comes in bits and pieces that can be difficult to synthesize into a complete picture.

Price points and credits never tell the whole story. Exclusions, reconciliation tactics and other factors can easily change a very aggressive-looking deal into a very mediocre one. But with enough repetition, analysis and feedback from the pharmacy consulting community, certain trends began to appear and the picture became clear.

When the market goes haywire is when Employers Health and its clients benefit the most from the Market Check and the outstanding relationship Employers Health holds with its PBM suppliers. For organizations that don't have a market check, or have a market check less than annually, the pricing improvements demanded by the market during that turbulent time either pass them by or are delayed. Even for organizations that do have an annual market check, adjustments to an accelerating market are difficult to achieve without a PBM relationship that is founded on collaboration and doing what is best for clients.

It is common for PBMs to see the market through their own lens, which is to say PBMs tend to highly scrutinize competitive intelligence that differs from their own view of the market and getting PBMs to see the market in the same way also can be a challenge. But through collaboration, constant communication, analysis and a high volume of competitive intelligence, the strength of the

relationship Employers Health has with its PBM suppliers became manifest and Employers Health was able to secure pricing improvements that will provide market-leading pricing throughout 2022 and beyond.

Employers Health hesitates to make changes to its pricing structure. However, in 2022 Employers Health clients in the CVS Caremark program will see a difference in specialty drug discounts. Currently, all specialty drug discounts are aggregated and reconciled against a specialty drug overall effective discount. This approach has worked well for many years, but as the availability of generic specialty drugs continues to increase, and specialty drug prices continue to increase, it makes sense to separate specialty drug discounts into brand and generic components.

As with non-specialty drugs, generic specialty drugs generate a much higher discount than brand specialty drugs. However, unlike non-specialty generic drugs, the incidence of the use of specialty generic drugs is quite low overall and increasingly unpredictable on a client-by-client basis. Some clients have a high ratio of generic specialty drug claims to all specialty drug claims while some clients have a low ratio.

By separating specialty drug discounts into brand and generic components, clients with relatively high generic specialty drug utilization will benefit from higher discounts, and clients with relatively high brand specialty drug utilization will benefit from competitive discounts and aggressive rebate guarantees. There is no direct value in separating specialty drug discounts into brand and generic components; however, this new approach will help stratify risk to the benefit of clients and CVS Caremark alike.

The purpose of the Employers Health Market Check is to ensure that our clients have market-leading pricing. Period. We believe we have done that for 2022, and we believe the strides we made this year contractually and in the pharmacy consulting community will continue to serve our clients well into the future.

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