

PSG COMPLETE™

PLAYBOOK

LETTER FROM MICHAEL LONERGAN, RPH AND TRACY SPENCER

PSG Complete uses data-driven insights to manage high-cost specialty pharmaceuticals, including those billed within the medical benefit.

What matters to plan sponsors matters to us. The pharmacy landscape is complex, changing, and challenging for even the most sophisticated plans to traverse.

Your benefit spend is an investment in your business, your members, and their health. Just like any other investment, it needs to be managed and protected. And for plan sponsors like you, it's not only the dollars—it's about people. Your members. This investment can be a point of differentiation for attracting and retaining top talent, increasing productivity with a healthier workforce.

Built on a foundation of PSG's experience and expertise, we launched a new way to help plan sponsors manage drug costs and clinical services to achieve maximum return on their pharmacy investment—**PSGCOMPLETE™**.

By keeping a pulse on the market and continuously innovating for over 25 years, PSG has shaped the industry to benefit our clients. We drive positive industry disruption.

This latest innovation—**PSGCOMPLETE™**—is a holistic solution that continually optimizes a client's pharmacy program. This model focuses not only on program savings but improved clinical outcomes and enhanced member experiences. These efforts are led by our expert consultants and pharmacists who specialize in delivering solutions for plan sponsors.

Read on to learn about how to manage your pharmacy investment better every step of the way!

Michael Lonergan, RPh

PSG President

Tracy Spencer

Senior Vice President and Practice Leader
Employer Groups, Labor, and Health Systems

NAVIGATING THE COMPLEXITY OF YOUR PHARMACY BENEFIT

The complexities of managing your drug benefit can be overwhelming. Employer challenges typically fall into four buckets:



Market complexities

The market is constantly evolving, and without being totally immersed, it's hard to keep up.



Data complexities

There is more data available now than ever before, but it needs to be the right data for decision making. The data needs to be integrated and trustworthy.



Clinical complexities

New drugs and treatments are always in various stages of development—and just pronouncing them can be a challenge. Knowing what they each do and how they compare to other options requires a level of clinical expertise that requires a pharmacy degree.



Strategic oversight

There are day-to-day complexities of managing your drug benefit program, including audits, performance guarantees and rebates, and new pharmacy benefit manager (PBM) RFPs. Given your competing priorities, it can be confusing and time-consuming to stay on top of all components of a drug benefit program. However, without regular attention to these details, you risk missing out on the value negotiated in your contract.

It's easy to see why drug benefit management is a common issue for many plan sponsors. It's also easy to see how we found that most employers could **reduce about 30 percent of their spending by cutting out waste and inefficiency.**

What types of wastes and inefficiencies can create 30 percent excess spending?

Therapies covered in both medical and pharmacy benefits

Drugs dispensed without a supporting diagnosis

Drugs dispensed that do not align with evidence-based guidelines

Unmonitored fraud, waste, and abuse

HOW TO SOLVE YOUR PHARMACY CHALLENGES



PSGCOMPLETE™

UNDERSTANDING THE PBM PLAYERS AND LANDSCAPE

PBM PROCUREMENT AND MARKET CHECK



Tracy Spencer

Senior Vice President and Practice Leader -
Employer Groups, Labor, and Health Systems

The PBM landscape continues to evolve rapidly. The last few years have seen dramatic consolidation among PBMs, like Express Scripts, CVS Health, and OptumRx. These “Big 3” PBMs combined share 78 percent of the PBM market.

Simultaneously, though, the reemergence of midsize PBMs and market introduction of new PBM players with specialized offerings and more transparent pricing has helped to level the playing field. Plan sponsors’ frustration with the large PBM consolidation led to re-fragmentation, laying the groundwork for strong competition and opportunities to enhance a PBM relationship.

Change presents opportunity

Factors like innovative operating platforms, new players, and pricing models tied toward financial transparency mean the PBM landscape is in for transformation like never before. New entries into the market could change the game with a whole new level of healthcare consumerism.

Another driver of change is the growing drug pipeline, loaded with high-priced specialty drugs. With a competitive PBM procurement comes specialty drug management opportunities, most notably:

- Negotiation of specialty pharmacy rebates specialty drug pricing at the individual drug level
- Inclusion of specialty drug trend guarantees
- Control of delivery channels (i.e., site of care)
- Better management of other cost drivers, such as reimbursement, clinical management, and plan design



The two great truths of PBM procurements

Plan sponsors receive the most competitive financial terms through the RFP process compared to renewals or non-competitive benchmarking processes.

Plan sponsors significantly benefit from using an independent and impartial consulting of pharmacy experts. Many organizations realize savings of more than 17 percent of their pharmacy spending by working through an independent third party.

There's value in the process, even without switching

Even without making a PBM change, significant improvement is possible within an existing PBM relationship through a procurement effort. Large plan sponsors may be reluctant to switch PBMs. But they still leverage the procurement process to ensure a thorough evaluation of the market and ensure their pharmacy program aligns with industry best practices.

Suppose they choose to stay with their current PBM. In that case, they can still renegotiate their contract and secure competitive pricing from the incumbent. And since it's easier to negotiate during a procurement rather than mid-contract, going out to bid allows taking advantage of the opportunity to improve all aspects of PBM service and enhance formulary strategy.

Where should employers start?

A procurement strategy led by pharmacy industry experts is the best way to capitalize on market change. PBM vendors know that a PSG-led procurement is a real opportunity—incentivizing both incumbent and potential PBMs to present aggressive financial and non-financial offers.

“

PSG has earned a reputation for managing fair and accurate procurement processes, and our relentless client advocacy holds PBMs accountable throughout the entire process.

PBM PROCUREMENT —AND MARKET CHECK THE PSG ADVANTAGE

Our approach to each of the PBM procurement lifecycle steps is unique with our team and platform, starting with the procurement itself. We never use a cookie-cutter approach. Instead, we craft the RFP specifically to meet requirements as unique and sophisticated as our clients.

- 1 Identify needs and challenges
- 2 Interviews, bidder selection, custom RFP
- 3 Solicit proposals and measure results
- 4 Interview and select PBM
- 5 Finalize agreement and implement

MARKET CHECK AND PROCUREMENT

Driven by your requirements.
Never one size fits all.



THE PSG ADVANTAGE

- 🔑 Independent and unbiased generating fully objective results for informed decision-making
- ✂️ Well-known in the industry for reputation, rigor, and process
- 🔗 Market leadership and knowledge to ensure alignment with the latest innovations
- ✂️ Custom scoring and weighing of every aspect of response from all bidders

Is the PBM RFP process an off-the-shelf solution, or will it be customized to my unique needs and requirements?

A big differentiator specific to PSG PBM procurements is when we spend upfront with you and your organization's key stakeholders to understand your unique needs and requirements. Our team leverages these insights to customize the PBM RFP. It is tailored to identify the right PBM partner for your organization, weighting all bidder responses so you can see exactly how we've arrived at our recommendations.

REWRITING THE RULE BOOK

CONTRACTING



Gary Golebiewski

Senior Vice President - Business Development

Implementation of best-in-class PBM contracting

The negotiation process starts with the bid. A well-managed procurement sets the expectation that the bidding PBMs will adhere to promises made during the contract's bidding.

Engaging in a PBM competitive bid process allows clients to negotiate new terms and revise potentially outdated definitions. The RFP process presents the ideal opportunity to:

1 Clarify all fees

2 Apply drug-pricing benchmarks

3 Establish inflation protection

4 Enhance billing and termination clauses

5 Implement or revise operational performance guarantee

6 Ensure adequate audit and market check rights

You need the ability to adjust your contract as the market landscape changes. Flexibility in contract terms achieves this and demands a true partnership with a PBM vendor. For example, consider both business practices, pricing, and the PBM's revenue sources when considering how much transparency exists within the PBM contract. Review our checklist of contracting questions.

Merely negotiating price points isn't good enough. All contract methodologies should be examined and, at a minimum, be aligned with industry best practices, current market metrics, and unique business needs.

PSG has rewritten the rules for PBM vendor accountability. Our thorough and meticulous approach to contracting positions the client as the quarterback of the benefits program, empowered to make decisions for the good of the organization and its members.

Nine contracting questions to ask

THE ESSENTIAL CHECKLIST

- ☐ How transparent are your PBM and contract? Consider pricing as well as the PBM's business practices and revenue sources.
- ☐ What performance guarantees are you getting, and how will they be measured and audited?
- ☐ Do you have the flexibility and negotiating power to adapt to market changes that protect you?
- ☐ Does your contract cover market check rights and allowing price benchmarking and adjustment of terms?
- ☐ How does your contract treat coverage of higher-cost specialty drugs?
- ☐ Rebates and discounts account for nearly one-third of gross expenditures on patented drugs. How is pharmaceutical revenue defined and handled in your contract?
- ☐ Is your contracting strategy value-based? If so, is it based on indication, outcomes, or cost-caps?
- ☐ Are the service and efficiency metrics clearly defined? Are there penalties for underperformance?
- ☐ Do you have recovery language if prior authorizations (PAs) are audited, and there are findings in your favor?

CONTRACTING

THE PSG ADVANTAGE

No uncertain terms

When we reach the contracting stage, there are no uncertain terms. We have established expectations within the RFP, and PBMs know we mean business. We won't tolerate any slippage from the established requirements. Our extensive experience with all major PBMs ensure that we're always at the forefront of innovative pricing models and terms.



Our extensive experience with all major PBMs ensure that we're always at the forefront of innovative pricing models and terms.



The PSG Advantage



Innovative pricing models and terms that work for you



Tightly written terms help ensure accountability



If it's in the RFP, it's in the contract



We work for you—not the PBM

WORKING TOWARD A WINNING MEMBER EXPERIENCE

STRATEGIC VENDOR OVERSIGHT



Renee Rayburg, RPH

Vice President – Specialty Clinical Consulting

PSG's Pharmacy Benefit Manager Customer Satisfaction report explores more than **40 dimensions** of PBM customer satisfaction from the viewpoint of employers and health plans.

What is the point of negotiating stringent contract terms and conditions if no one ensures the rules are followed? Strategic vendor oversight is the independent referee who knows the rules and makes sure they are followed. PBMs are businesses with demands just like you to maximize revenue and reduce expense. However, business drivers must not diminish what is in an organization's best interest.

Vendor oversight by a third party offers clinical and market expertise to assess the impact of recommended program changes. With continual monitoring of market changes, organizations become equipped with proactive knowledge of the drug pipeline and the latest clinical research on medication effectiveness. Plan sponsors need to validate the PBM recommendations support both member satisfaction and the bottom line.

For businesses like PBMs, customer satisfaction scores are essential indicators of customer loyalty and their likelihood of renewing contracts. They are also a barometer for PBM performance and provide the feedback necessary to make changes before it is too late.

In the competitive PBM marketplace, customer satisfaction is a key differentiator. Drug benefit management has grown increasingly complex, and plan sponsors depend on PBMs to seamlessly deliver services while maintaining employee and member satisfaction.

Because of this, relationships have to develop over time. Like all relationships, they can decline if expectations are not met. They can also flourish with mutual respect, alignment, service, and communication.

Spotlight on utilization management

Utilization management (UM) programs are a vital tool in the clinical and cost management of drugs. These programs are offered in various forms by most PBMs. Typically, there is an additional charge, but the value proposition purports these programs save overall costs by ensuring appropriate utilization. Because of their importance, this year's report takes a closer look at satisfaction with UM programs.

Three themes emerged when respondents shared what PBMs could do to improve satisfaction with UM programs:

- 1 **Lower or no cost for programs**
- 2 **Better reporting**
- 3 **More thoughtfully approaching improvement of member experience**

Current landscape of UM

More than two-thirds of respondents reported they currently use prior authorization (PA) (88%), formulary exclusions (87%), step therapy (85%), and opioid management programs (69%).

The least frequently used program is gene therapy financial protection programs (13%). It also has the least awareness (36% not aware if offered by PBM).

No significant differences by size of PBM were found.

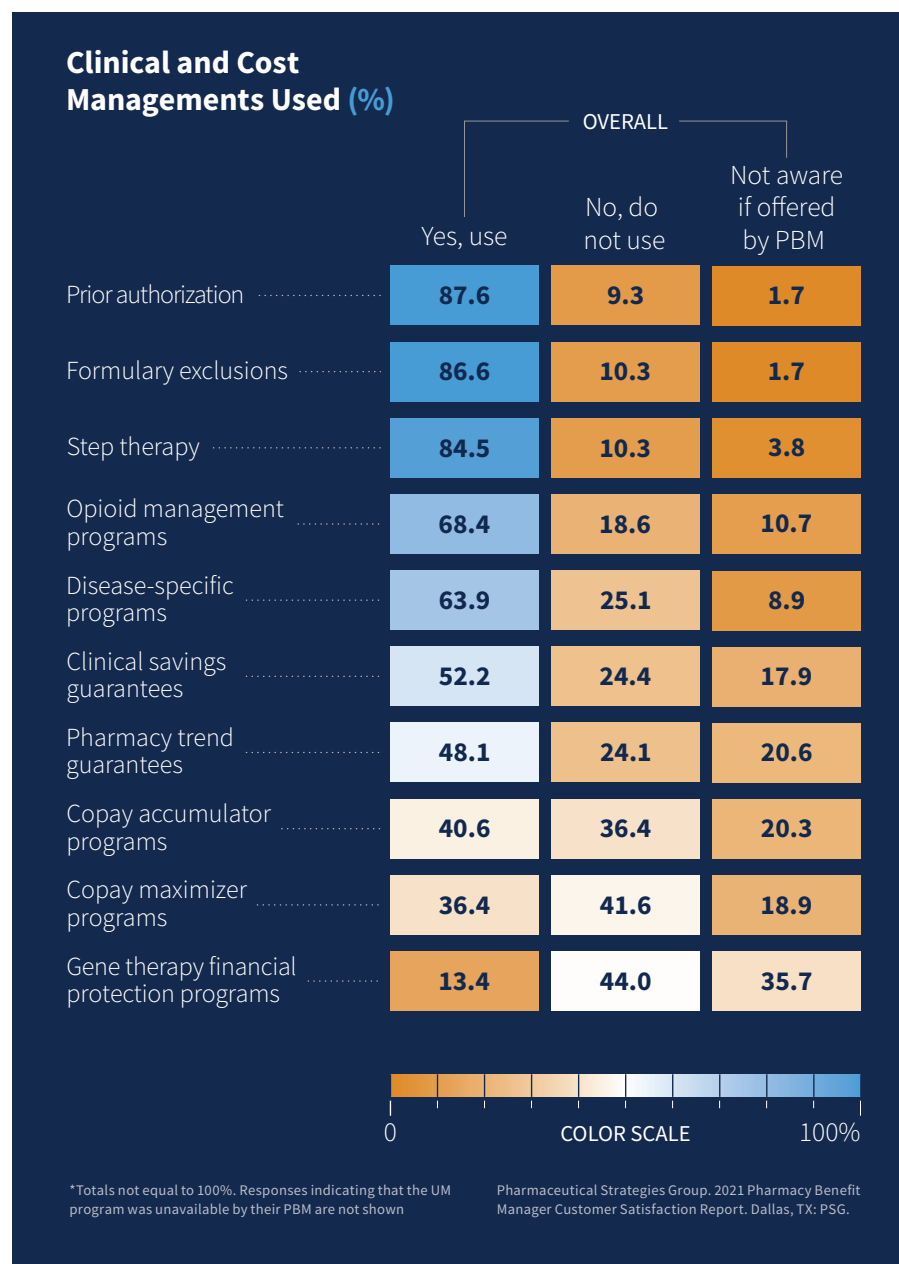
Forward-looking recommendations

Let's return to the three key takeaways that emerged from this research about how PBMs could improve satisfaction with UM programs (lower or no cost for programs; better reporting; and more thoughtfully approaching improvement of member experience).

This respondent quote illustrates plan sponsor insights around improving member experience:

"Cost management programs always seem to penalize the member and make things harder on them. For example, PA is required for an adult on Adderall. I have never seen it not approved; it just makes the member and the physician jump through hoops. And our plan is not getting any big impact from this requirement."

UM satisfaction is highest for the UM programs that provide cost-savings for plan sponsors without significantly impacting their members at the pharmacy counter or interrupting therapy.



STRATEGIC VENDOR OVERSIGHT

THE PSG ADVANTAGE

The teammate you've *never* had

When it comes to managing your program and interacting with your PBM daily, we like to say we're the best teammate you've never had—because there's rarely a dedicated person on an employee benefits team who can negotiate from both a clinical and program perspective.

You get trusted advisors with the specialized market, clinical, data, and operational expertise required to hold your PBM accountable—informed by the data-driven insights of Artemetrx. Benefit from strategic and creative recommendations during quarterly business reviews and monthly dashboard insights.



Count on our team to operate as an extension of your team.

The PSG Advantage



**Always there for you as an
extension of your team**



**Trusted advisors with
specialized market, clinical,
data, and operational expertise**



**Data-driven insights hold your
PBM accountable**



**Quarterly business reviews to
track plan performance**

REVIEWING AN INSTANT REPLAY OF PBM PERFORMANCE

AUDITING



Libby Johnson

Senior Vice President – Client Success,
Clinical, and Analytics

Today’s pharmacy benefit landscape can feel like a minefield of complex contracts, performance promises, intricate plan designs, and endless benefit considerations. Employers must trust in their PBMs to deliver on promises. How can plan sponsors be sure they are receiving what is owed? The answer is a comprehensive third-party audit program.

Is it an employer’s responsibility to ensure the PBM adheres to contract terms?

With the complex architecture and high volume of data flowing through PBM systems daily, errors and unexpected financial results can occur. Despite how meticulous a team may be, there are inevitable implementation errors and misunderstandings of client intent. That’s why it’s crucial to ensure a PBM correctly delivers every contractual element of a pharmacy drug plan.

Financial guarantees

Perhaps the most tremendous potential for audit recovery, financial guarantees are essentially a promise that at the end of a certain period—typically a plan year—claims will perform on average at a specific discount off the published average wholesale price (AWP). Yet financial guarantee calculations are inherently complex involving several considerations:

- What date range is used to calculate guarantees?
- Are any claims excluded?
- Can performance in one delivery channel offset performance in another?
- Will the final plan cost in the PBM’s self-reported results be reduced by patient product selection penalties or some other amount?

A PBM’s performance against financial guarantees is typically self-reported. Without a third party to monitor, plan sponsors must trust that reporting, and they may miss discrepancies between contract terms and actual plan performance.

Other audit opportunities include:

- Pricing and fee reviews
- Administrative fees
- Rebates
- Member costs
- Coverage
- Quantity limits, Prior authorizations, and Step therapies
- Days' supply and network access
- Duplicate claims

The assurance plans need

Audits are a necessary check to ensure plans are getting what is owed. It is a plan's right and responsibility to ensure that the thousands of moving pieces within a plan are operating correctly within the contract terms and plan benefits. Annual audits typically uncover errors that can be quickly corrected, saving money that would compound over time.

When selecting an auditor, ensure the firm has the experience, industry insight, and technical capabilities to understand pharmacy benefit designs' complexities. Identifying a vendor to assist you with your PBM audit does not need to be an overwhelming process; however, this type of work is specialized. Look for firms with a dedicated, experienced staff with deep knowledge and a strategic methodology to ensure a comprehensive and productive audit.



How to be sure a PBM is holding up its end of the contract

Plans should perform a yearly series of audits to ensure a PBM upholds the contract terms and deliver appropriate financial benefits. By exercising the right to audit PBM claims, plans hold the PBM accountable for the proper plan administration and maximize the PBM contract's value.



When there is a great contract, why would an audit be necessary?

Pharmacy spend can easily represent 15 to 20 percent of total health expenditure. Any error in implementing plan design or pricing threatens the integrity of drug spend and the value optimization of the PBM contract.

And though pricing errors are the easiest to recognize, discrepancies in plan design implementation can be just as costly—and they may disrupt plan membership. Plan sponsors often invest substantial time and resources in PBM contract negotiation. But *don't stop there*. Audit annually to ensure a contract is being honored and implemented as it should.

AUDITING THE PSG ADVANTAGE



Rigorous proprietary **process and technology**

\$14 million

in **audit recoveries** over the last five years

More than

500

audits annually



Extensive suite of auditing capabilities beyond just pricing and guarantees

The first step to recovery is identifying and understanding the problem.



Recovery starts here

The first step to recovery is identifying and understanding the problem. And that's why our audit team is here. Our audit suite is the key to recovering overspend and correcting course. The design of these solutions provides comprehensive tracking of your plan performance throughout our relationship.

Our proprietary technology and team of auditing experts offer precision and accuracy through auditing.

PREPARING THE LINE-UP FOR AN OPTIMIZED PHARMACY BENEFIT PROGRAM OPTIMIZATION



Ashley Moyer

Vice President – Plan Sponsor Business
Development

Negotiating an innovative, best-in-class PBM agreement is akin to knocking it out of the park on draft night and free agency. It is critical, but you won't win that championship if you don't follow through with rigorous coaching and development. Optimized program performance is much the same. The time spent evaluating the program's performance, identifying opportunities for improvement, implementing changes, and monitoring the impact determines whether a plan sponsor realizes the benefits of the well-negotiated PBM agreement.

Rarely does a benefits team have the market and clinical expertise, technology, and bandwidth that it takes to realize all available savings fully. This is why PSG Complete everything needed—people, technology, solutions—to serve as a trusted extension of the benefits team.

Program management roadmap

An overview of critical priorities by month

2021

DECEMBER

Program strategy meeting

Schedule annual and quarterly program reviews for the upcoming year. Set expectations for ongoing reporting on program service and plan participant impacts (i.e., PA approval/denial).

Responsible parties: Plan sponsor, Consultant, PBM

2022

JANUARY

Review market check language in contract

Contract best practices should allow for an annual market check. Typical market check language allows for the third-party market check to be kicked off in Q2 for new pricing to be implemented the following January.

Responsible parties: Plan sponsor, Consultant

FEBRUARY

PBM strategic planning meeting

Focus on plan objectives, both short- and long-term. Consider plan design changes to impact trend and member outcomes positively.

Annual performance meeting

The PBM should present your annual trends compared to its book-of-business and other custom benchmarks to help you compare and contrast your plan. Apply the “nothing but net” rule: all program services should be net of administrative and program fees.

Responsible parties: Plan sponsor, Consultant, PBM Team—Exec Sponsor, Strategic Account Executive, Pharmacist

MARCH

Quarterly performance meeting

APRIL

Request financial reconciliation and performance guarantee results

Most PBM contracts have annual financial and performance guarantees, which require reporting 90 days after year-end. PBMs won't always automatically provide these reports, so be sure to ask for them, validate the results and secure any payments due.

Responsible parties: PBM account team, Consultant

Annual program review

During Q2 of the plan year (depending on PBM agreement language) requires a market check to evaluate potential savings in the form of more robust financial arrangements on the market for comparably sized clients. Impacted pricing should be updated by January 1.

Responsible parties: Plan sponsor, Consultant, PBM

MAY

Kick-off annual audit

The auditor can formally kick off the previous year's audit once the entire year's data is available in early February. The audit will proceed faster once the PBM pulls the reconciliation report, which is why it's best to begin the audit after requesting the reconciliation. Be sure to include performance guarantee reporting for the year.

Responsible parties: Plan sponsor, Consultant/Auditor

JUNE

**Review market check results
and begin contract negotiation**

Responsible parties: Plan sponsor,
Consultant, PBM

JULY

Quarterly performance meeting

AUGUST

**Leverage your pharmacy
benefit management credits**

Funds should be used before they
expire at the end of the year—get
creative! Funds should support
the overall administration of the
plan and not just new program
implementation.

NOVEMBER

**Conduct a quarterly
performance meeting**

OCTOBER

**Review contract for
RFP opportunity**

Develop a procurement/renewal
strategy for the following
15-month period.

Responsible parties: Plan sponsor,
Consultant

SEPTEMBER

Conduct a PBM strategy meeting

PROGRAM OPTIMIZATION

THE PSG ADVANTAGE

1 Plan

Diagnostic, strategic roadmap and report card maps the journey ahead

2 Watch

Proprietary Artemetrx platform with rules-based engine continually surveils your drug spend, looking for anomalies

3 Report

Monthly dashboard review highlights areas requiring urgent attention

Quarterly review addresses strategy and performance

4 Audit

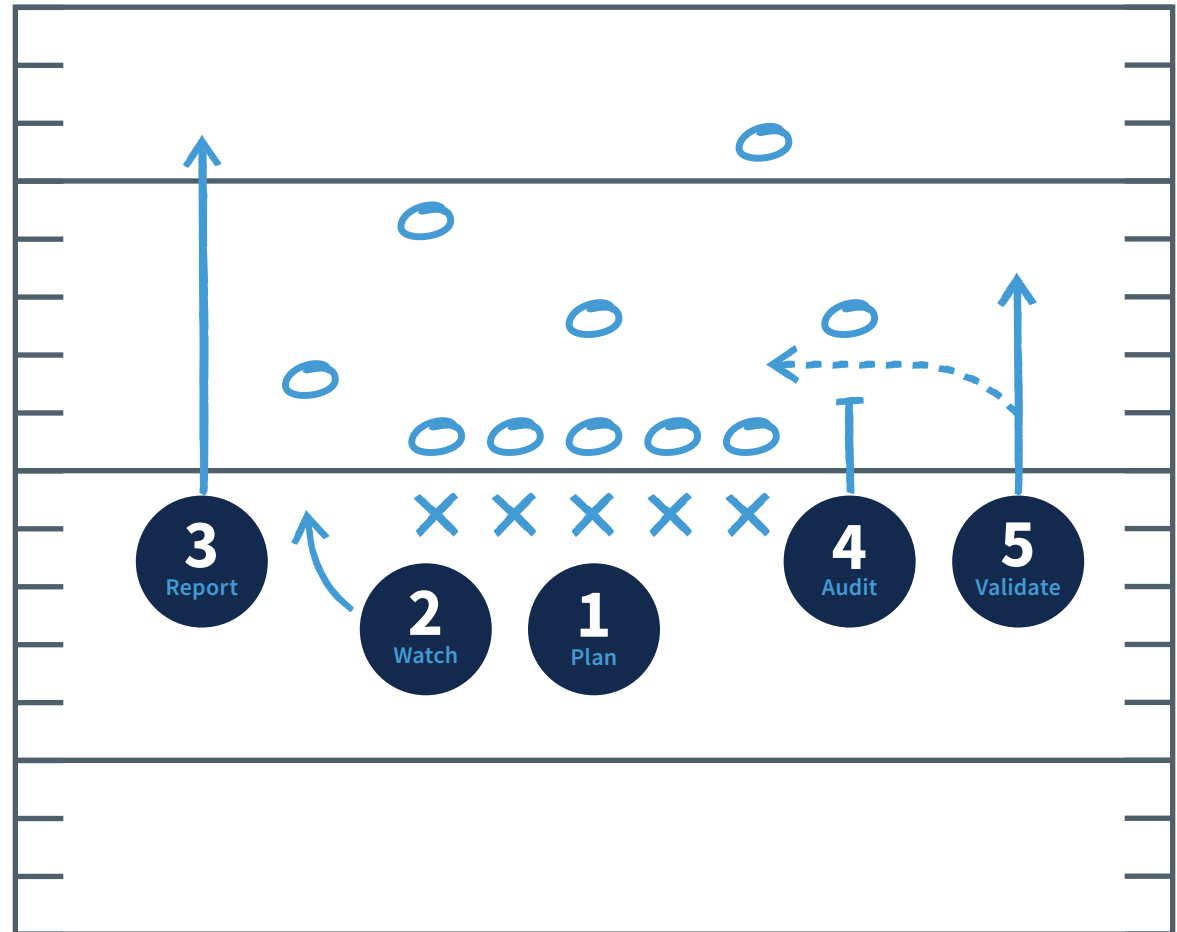
Full suite of audit solutions helps confirm performance to keep your program on track

5 Validate

Annual market check shows how you're performing against similar plans

The PSG Advantage

Continually optimizing your drug spend



The continual process of optimizing your program means regularly implementing recommendations as we move through this process.

DESIGNING PLAYS FOR DATA-DRIVEN SUCCESS

ANALYTICS



Zach Fielder

Vice President – Data Analytics Implementation

The engine that drives program optimization is integrated pharmacy and medical analytics. Monitoring data is vital and monitoring it across both medical and pharmacy is where the most valuable opportunities exist. But it's not simple. That's why technologies like Artemetrx are so important.

Integrated analytics allow employers to be proactive with their benefits strategy, anticipating the impact of change and proactively addressing these dynamics to reduce member disruption and unbudgeted costs.

Just like a sports team has offensive and defensive plays – actively managing costs and member experience requires both reactive and proactive strategies. Using data to design the best strategy for your business allows more informed and precise decision-making to occur.

Today, there is no shortage of data available to plan sponsors, but solutions that just warehouse data fall short. Savings opportunities can be achieved by gaining meaningful insights derived from data.

Examples of such insights are:



1 Benchmarking

Roller coaster fluctuations in drug pricing have clouded historical trends. Benchmarking an organization's plan performance against other organizations can help clarify expected versus unexpected shifts in spend and trend.



2 Duplicate and suboptimal therapy

The most expensive medication is the one the patient did not need, such as duplicate therapy. Duplicate therapy occurs when a patient receives two medications that “do the same thing.” This can be especially difficult to detect without technology tools when prescriptions are paid across pharmacy and medical benefits. Another example is identifying instances of suboptimal therapy, such as unneeded double-dosing of a specialty drug. The Artemetrx clinical rules engine evaluates over 1,000 unique parameters such as first-line therapy and diagnosis code to identify unnecessary medication spend.



3 Formulary strategies

With tens of thousands of medications on formularies and new super-high-cost gene therapies and specialty drugs flooding the market, it takes robust data and clinical expertise to ensure the formulary achieves the plan sponsor's goal. Analytics can quickly identify the member impact of new drugs coming to market and the expected outcome of PBM formulary changes.



4 Spend and trend management

Far too often, plan sponsors face spikes in spend and trend without reliable insights into the driver. Integrated analytics can provide transparency to the entire drug management program, such as the top drugs, providers, and members driving spend. What's more, analytics can identify outlier providers in the medical benefit that may be overcharging your plan.



5 High-cost member management

Virtually all plans have a small percentage of members generating a large portion of overall spend. Medication-based analytics can be instrumental in identifying and monitoring these members. For instance, identifying newly diagnosed patients for high-cost diseases and tracking the effectiveness of patients receiving high-cost medications can all be done through analytics.

Don't set it and forget it. Data-driven strategies will generate better financial and clinical outcomes. With a strong contract in place, let it work by finding new opportunities and efficiencies.

ANALYTICS

THE PSG ADVANTAGE

Maximize your return on pharmacy investment

What happens when seasoned industry insiders leverage the Artemetrx platform?

Clients uncover unprecedented opportunities to maximize return on their pharmacy investment. Our goal is to optimize your drug spend while keeping members happy. We want your drug spend to go where it can do the most good.

Optimize your pharmacy spend by putting guaranteed savings at your fingertips.



We want your drug spend to go where it can do the most good.

The PSG Advantage



Do more faster



Drive clinical value



Avoid loss and prevent waste



Ensure member satisfaction



AN **EPIC** COMPANY

contact info@psgconsults.com to learn more