

Is your PBM working for you, or are you working for your PBM?

A SOLUTION FOR HOSPICE PHARMACY PRICING: ACHIEVING UP TO 25% - 50% IN COST REDUCTION

Introduction

One business dictionary defines transparency as a “lack of hidden agendas or conditions, accompanied by the availability of full information required for collaboration, cooperation, and collective decision making.” For the past two decades many hospices have been using a per diem pricing model for pharmacy services. This model is now considered out dated and out of line with industry standards and is financially hindering to a hospice’s ability to save on medication costs. The reality is that this pricing model is significantly over inflated and hospices have been bearing an unnecessary financial burden while hospice Pharmacy Benefit Managers (PBMs) reap profits. Hospices are spending too much on pharmacy costs because of a lack of transparency and hidden costs in this pricing model.

Pricing Problem

With little choice in the home delivery market place, some PBMs have been able to dictate a higher priced model with a per diem structure. These PBM’s have discussed items such as “free overnight shipping”, which have led to confusion in the market place and kept drug costs artificially high. Without strong competition and transparency in the industry, hospices have experienced higher per diem pharmacy charges along with significant formulary restrictions. This has resulted in additional inflated charges for non-formulary medications. The problem is compounded by a lack of pharmacy technology innovation which is making hospice nurse interaction with their pharmacy provider inefficient and driving up labor costs, thus adding even more cost to hospice organizations.

Formulary Problem

In order to pass more financial risk onto the hospice, hospice PBMs will remove higher cost medications from their formulary and charge hospices high non-formulary rates to utilize the removed medications. This is done to protect margin for the PBM in these per diem or bundled models when hospices over utilize high cost drugs. These formulary decisions are driven solely based on cost. Hospices have seen common symptom management medications removed from their formulary for no reasons other than cost savings for the PBM in this model. Common hospice medications such as Oxycodone, Fentanyl, Scopolamine and Atropine are a few examples of medications which have been removed from formularies recently. If hospices desire to use these and other non-formulary medications, they are charged inflated pricing outside of the per diem.

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Technology Problem

Another area where hospices are negatively impacted is from a lack of technology innovation. Electronic Medical Record (EMR) interfaces are commonplace now and should include both demographics and medications. There has been a long history of over promising and under delivering in this area. If your PBM does not have an EMR interface in place, the resulting nursing inefficiencies can be enormous. The labor cost of having nurses call and provide information verbally or via fax is significant. Nurses are spending hours of their time on the phone, on hold waiting for a pharmacist to verbally provide information. This negatively impacts patient care as well as nurse satisfaction and ultimately the financial performance of the hospice. This data should be transmitted electronically via an interface wherever a hospice EMR offers an interface. PBMs and EMR companies should be held accountable by hospices to deliver a functional interface for both demographics and medications.

Price Transparency

Transparency is a word that has been over used in the hospice pharmacy industry. Almost all pharmacy providers will claim their pricing structure is transparent. However, it is virtually impossible to provide transparent pricing in per diem or bundled models by the very nature of their structure.

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Per diem models are structured based on risk, primarily drug utilization risk. The more drugs a hospice utilizes, the higher the drug spend. The risk is entirely on the PBM in this model. Therefore a PBM offering a per diem structure will establish an excessively high per diem rate to ensure the PBM is protected from potential over utilization and pass financial risk back to the hospice. As mentioned this tactic is now being applied to shipping. “Free shipping” is offered in exchange for a higher per diem. This passes even more financial risk back to the hospice. With this type of pricing model, a hospice ends up paying more for pharmacy services no matter how they perform. In reality, in a per diem pricing structure, the better the hospice performs, the more money the PBM makes. The hospice does not achieve any cost savings with mindful medication management or shipping improvements and is simply paying the PBM more than they should.

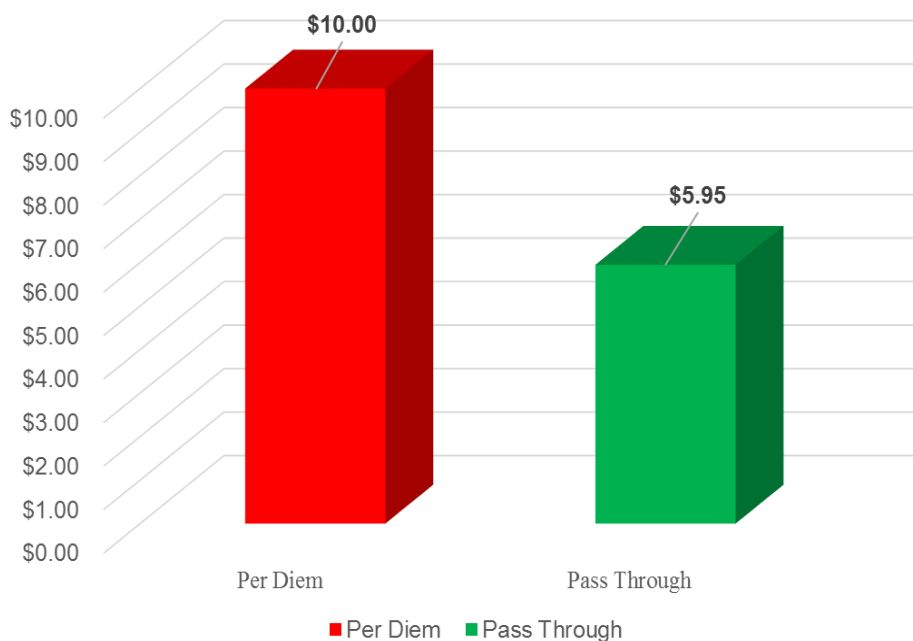
Pass Through Pricing Solution

True transparency is only possible to achieve through a pass through pricing structure. A pass through model means just that. The actual costs charged by pharmacies are passed through to the hospice by the PBM. There is no per diem mark up, free shipping mark up or other spread to pass risk onto the hospice. Pharmacy costs are provided directly to the hospice. The PBM ensures that pharmacies are contracted to provide the best drug pricing and charging

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appropriately for hospices. With this model, the PBM only charges a small administrative charge per prescription claim. **This is true transparency.** Hospices experience tremendous cost savings; first from the pricing structure alone and second from any improvements they make to their drug or shipping utilization. Unlike a per diem model, in a pass through model hospices are empowered to manage their medication utilization, shipping and clinical data to make further improvements. In a pass through model any improvement made by the hospice goes directly to the bottom line of the hospice, not the PBM.

Per patient day pharmacy costs in different pricing structures



Unsurpassed Excellence in Service and Cost

Optum has been a champion of the pass through model for many years and was the first PBM to offer this unique model to the hospice industry. Optum’s base of hospice customers, consisting of 70,000+ average daily patients, have been experiencing significant cost savings relative to the industry. These customers have been primarily in local pharmacy models. However, with Optum’s partnership with DeliverCareRx, a national home delivery pharmacy, this pass through model and price savings opportunity has now been extended to the mail order market nationally.

Hospice customers coming to Optum and DeliverCareRx from per diem based home delivery models are experiencing up to 25-50% cost savings. That is not a typo and is real cost savings experienced by hospices of all sizes. This pass through model includes actual drug costs and actual shipping costs within Optum's superior pharmacy network and pricing structure.

Hospices are no longer penalized with high non-formulary drug charges. In this pass through model hospices are provided with the same deep drug discounts on both formulary and non-formulary medications. Hospices are provided a formulary which consists of the most cost effective and clinically effective medications. However, this formulary is a guideline, not a restriction with cost penalties. Hospices can freely choose the best medications for each patient based solely on clinical needs.

In addition to the superior pricing structure and cost reduction, hospices are experiencing an unsurpassed service model with Optum and DeliverCareRx. Interfaces have been developed with the majority of EMR companies and are inclusive of demographics and medications. Interfaces have also been developed between Optum and DeliverCareRx. The results of these technology innovations are enormous. It is comparable to upgrading to broadband cable from dial up modems 15-20 years ago. Nurses can now enter orders into their EMR and all information is immediately sent to both Optum and DeliverCareRx. Nurses no longer have to wait on hold for lengthy periods of time to give a pharmacist or other representative information. The technology transmits all this information giving nurses significant amounts of time to focus on patient care and other nursing functions. Hospices achieve significant financial improvements from these nursing efficiency gains.

Customer Testimonial

"A year and a half ago we switched from another pharmacy vendor to Optum and DeliverCareRx because we were experiencing very high costs under a per diem pricing model. The transition to Optum / DeliverCareRx was smooth and the learning curve for our nurses was minimal. Pricing under the new model is transparent and a monthly Executive Dashboard allows us to track our exact expenses. We are now in a position to actually manage total pharmacy costs. Our drug and shipping costs per patient day have decreased by 27%. We have an average daily census around 400 and total dollar savings are substantial. The software interface with Cerner works well and eliminates nurses ordering drugs over the phone and having to wait to speak with a pharmacist. Delivery is next day and extremely reliable. Pharmacists are professional and collegial. Any time there is a question it is resolved immediately. We have been very pleased with this move and would not hesitate to recommend Optum and DeliverCareRx to our peers."

Dave Haley, VP/COO
Center for Hospice Care (South Bend, Indiana)

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Partnership: DeliverCareRx and Optum Hospice Pharmacy Services

The Optum and DeliverCareRx solution is the first and only hospice pharmacy solution that not only provides true financial transparency, but also provides this transparency across all patient delivery options. This is true patient choice and is an operational benefit for Optum customers that prefer a local model, hospices that prefer a mail order model and now hospices that prefer to have both local and mail order options. This is very appealing to hospices that have branches or segments of geography best covered by one model or another. Hospices that take advantage of the mail order model with DeliverCareRx have all the benefits of a centralized pharmacy model that includes national home delivery, on-line refills, data and medication interfaces, ePrescribing, IPU automated dispensing cabinet solutions and 24/7 pharmacist coverage. Most importantly, all pharmacy models offered by the Optum and DeliverCareRx partnership and all transactions in each model provide the true transparency and the significant 25-50% price savings. This service offering is live and available today.

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About DeliverCareRx

DeliverCareRx is a national pharmacy based outside of Chicago, Illinois and is a leader in home delivery services to hospice patients and other underserved patients suffering from chronic disease states. DeliverCareRx provides patients with an unsurpassed customer service offering. The pharmacy removes barriers faced by both chronically and terminally ill patients and also those faced by the nurses and caregivers that provide their care. For more information about DeliverCareRx, visit www.delivercarerx.com/hospice.

About Optum Hospice Pharmacy Services

Optum is a leading health services and innovation company, which includes the Hospice Pharmacy Service business (previously HospiScript) that delivers care-focused, innovative and cost-effective solutions. With 100,000+ people world-wide, hundreds dedicated to hospice, Optum combines its pharmacy network, clinical programs, analytic tools, technology solutions and educational resources to deliver a flexible, forward-thinking approach to hospice care. Optum uniquely collaborates with all participants in health care. Hospitals, doctors, pharmacies, employers, health plans, government agencies and life sciences companies rely on Optum services and solutions to solve their most complex challenges and meet the growing needs of the people and communities they serve. For more information visit: www.optum.com/hospicepharmacy.