

PBM Best Practices Series: Mitigating disruption and reducing plan costs: Keys to a successful PBM implementation

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Pharmacy benefit programs remain among the most rapidly changing and highly scrutinized segments within the healthcare industry, making it essential for employers and other plan sponsors to understand, audit, and closely monitor their pharmacy benefits managers (PBMs).

Making the decision

This may include deciding whether to “carve-in” or “carve-out” pharmacy benefits.¹ Then, from time to time and for various reasons, the plan sponsor will decide to conduct a PBM request for proposal (RFP) and switch to a new PBM.²

After a plan sponsor selects a new PBM and provides notice of termination to the current PBM, the implementation process begins. Plan sponsors may conduct the implementation activities themselves, or engage a consultant to assist in all or some of the transition. This paper takes a high-level look at the implementation process and identifies key items to consider for a successful PBM implementation, including pre- and post-implementation activities.

Pre-implementation activities

Pre-implementation activities begin with negotiating and finalizing the contract and assigning an implementation manager (IM) to the account. The IM is responsible for facilitating a smooth transition to the new PBM. The role of the IM is to work with departments internally to develop and carry out an implementation plan to completion. The implementation plan is a project plan that outlines key items, responsibilities, and timelines necessary to transition to the new PBM.

A consultant can assist the plan sponsor in navigating through the implementation plan. A consultant can also help prevent implementation errors by conducting a pre-implementation audit including the following activities:

- Review the PBM’s policies and procedures for compliance with the plan sponsor’s program requirements.
- Conduct an on-site review of PBM operations, customer service interviews, and account management assessments to ensure staff is trained on the plan design and ready to service the plan sponsor’s members on the go-live date.
- Create customized comprehensive test claim scenarios based on actual claims data from the plan sponsor. Review test claims with the PBM and the plan sponsor virtually or on-site at one of the PBM’s facilities to ensure benefits are set up and adjudicating appropriately.

PRE-IMPLEMENTATION	GO-LIVE	POST-IMPLEMENTATION
<ul style="list-style-type: none"> ▪ Negotiate and finalize contract ▪ Develop implementation plan ▪ Navigate through implementation plan ▪ Conduct pre-implementation audit 	<ul style="list-style-type: none"> ▪ Claims begin processing through new PBM ▪ Customer service becomes engaged 	<ul style="list-style-type: none"> ▪ Monitor claims processing ▪ Resolve any claims adjudication issues ▪ Verify pricing and rebates ▪ Conduct post-implementation audit

¹ See the Milliman White Paper, “PBM Best Practices Series: Carve-in versus carve-out programs,” for more information, at <http://us.milliman.com/insight/2016/Pharmacy-benefits-carve-in-versus-carve-out/>.

² See the Milliman White Paper “PBM Best Practices Series: RFP process,” for more information on selecting a PBM, at <http://us.milliman.com/insight/2016/Staying-competitive-in-the-pharmacy-benefits-manager-selection-process/>.

Key items typically included in an implementation plan

- Data files and other information to be obtained from the previous PBM
- PBM plan benefit specification forms
- PBM implementation requirements documentation
- Member communications including notification of the change in PBM, identification cards, and welcome booklets
- Member disruption analysis and notification of impacted members
- Formulary review and assessment to ensure that the formulary meets financial and service level needs
- Eligibility file loading and testing
- Benefits coding
- Claims testing and validation
- Customer service training
- Post-implementation monitoring
- Ongoing maintenance including meetings and reporting

Post-implementation activities

After the plan goes live, the PBM will closely monitor claims processing to ensure claims are processing appropriately and make adjustments where necessary. A plan sponsor should monitor the claims activity by requesting and reviewing the daily and weekly paid and rejected claims. The plan sponsor may also want to schedule daily and weekly calls with the PBM to ensure any issues that arise are being dealt with promptly. A consultant can assist plan sponsors in reviewing claims reporting and participating in the post-implementation calls.

Two additional steps that plan sponsors should consider as part of a PBM transition are PBM pricing and rebate verifications and the post-implementation audit.

PBM PRICING AND REBATE VERIFICATIONS

The purpose of a pricing verification is to validate that the pricing has been correctly applied according to the contract with the plan sponsor's PBM. In this analysis, the plan sponsor's claims experience is repriced to confirm that the average drug discount off the average wholesale price (AWP) and the dispensing fee are consistent with contractual terms. This process will help ensure accurate invoicing to the plan sponsor and maximize the financial savings that were identified in the PBM selection.

After the pricing verification is complete, it is important to also verify that the rebate billing process has been set up correctly in order to ensure that the plan sponsor receives the benefit of the manufacturer contracts with the PBM. This will include verifying that 100% of the items that the plan sponsor has contracted for are being passed through. These items may include rebates, price protections, and manufacturer administrator fees. If the plan design is not coded correctly in the rebate billing process then the plan sponsor will not receive accurate rebate payments from the manufacturers or the PBM. These verifications have helped our clients save millions of dollars and have improved the cash flow of their pharmacy programs.

POST-IMPLEMENTATION PBM AUDIT

The purpose of a post-implementation audit is to verify the accuracy of the plan design and ensure claims are processing according to the terms outlined in the contract. It is becoming common for the PBM contract to include implementation or audit allowances that can be used to offset the costs of a consultant to perform these services.

The post-implementation audit should include a validation of 100% of retail, mail order, and specialty claims processed or paid during the audit period. The main value of the post-implementation audit is to identify and resolve errors in the plan setup and claims adjudication process to mitigate prospective plan administration issues going forward.

Post-implementation audit tests

- Validation of administrative fees and any risk-sharing provisions
- Validation that ingredient costs and dispensing fees were calculated in accordance with contract language, including the following:
 - Retail network pricing guarantees for brand and generic
 - Mail order pricing guarantees for brand and generic
 - Specialty drug pricing guarantees
- Validation of minimum rebate guarantees
- Review possible duplicate claims payments, reversals, and various overrides for proper handling
- Identify any AWP pricing errors
- Review the financial impact of usual and customary (U&C) charges for brand and generic drugs
- Perform plan design and copayment accuracy testing
- Identify brand and generic drug reclassification
- Match reversals to paid pharmacy claims
- Identify claims filled at nonparticipating pharmacies
- Identify paid claims for excluded drugs
- Identify claims that should have been processed with prior authorizations
- Review quantity limits
- Review refill limits
- Review sales tax
- Eligibility testing

Important considerations

As a plan sponsor is transitioning to a new PBM, consider the following important questions:

- Who from your staff will assist with the transition?
- Are you receiving the transition support you expected from the new PBM?
- Do you need additional resources to assist with all or some of the transition activities?
- Does your contract provide implementation or audit credits that can offset your cost for additional support?
- How can you effectively use the implementation or audit credits?
- By what date do you have to use the audit credits?

Conclusion

The advantages of a new PBM can be reduced or even lost if care is not taken to make sure the new terms are effective and the transition is smooth. Plan sponsors need to stay on top of many complex details to maximize the financial benefits and mitigate member disruption. Finally, plan sponsors can conduct annual pricing verifications and audits in order to ensure they continue receiving the pricing terms and rebates negotiated with the PBM.



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