

Stepping on the Gas!

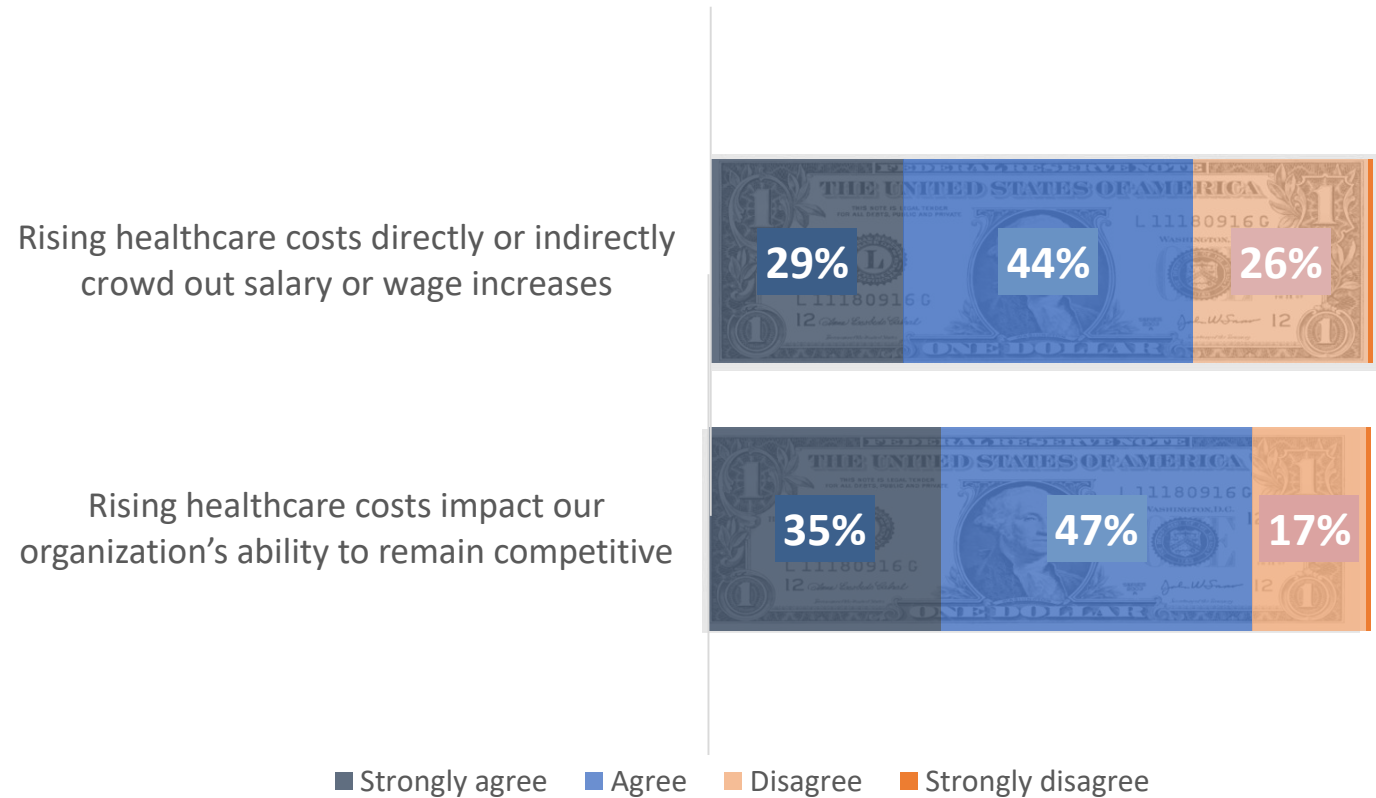
Perspectives of the National Alliance

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Healthcare costs impact ability to remain competitive and increase wage



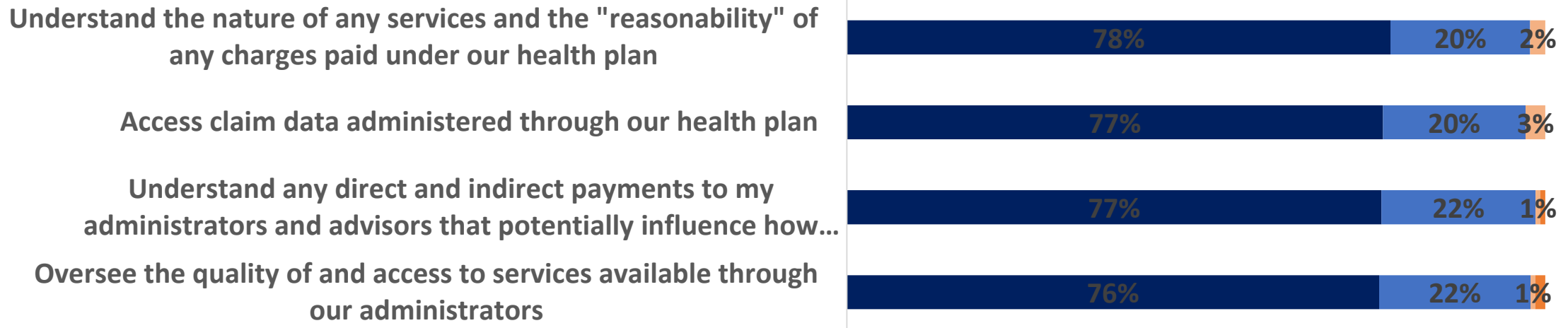
78% employers strongly agree that attracting and retaining talent is a top priority,

Rising healthcare costs prove to be a significant challenge

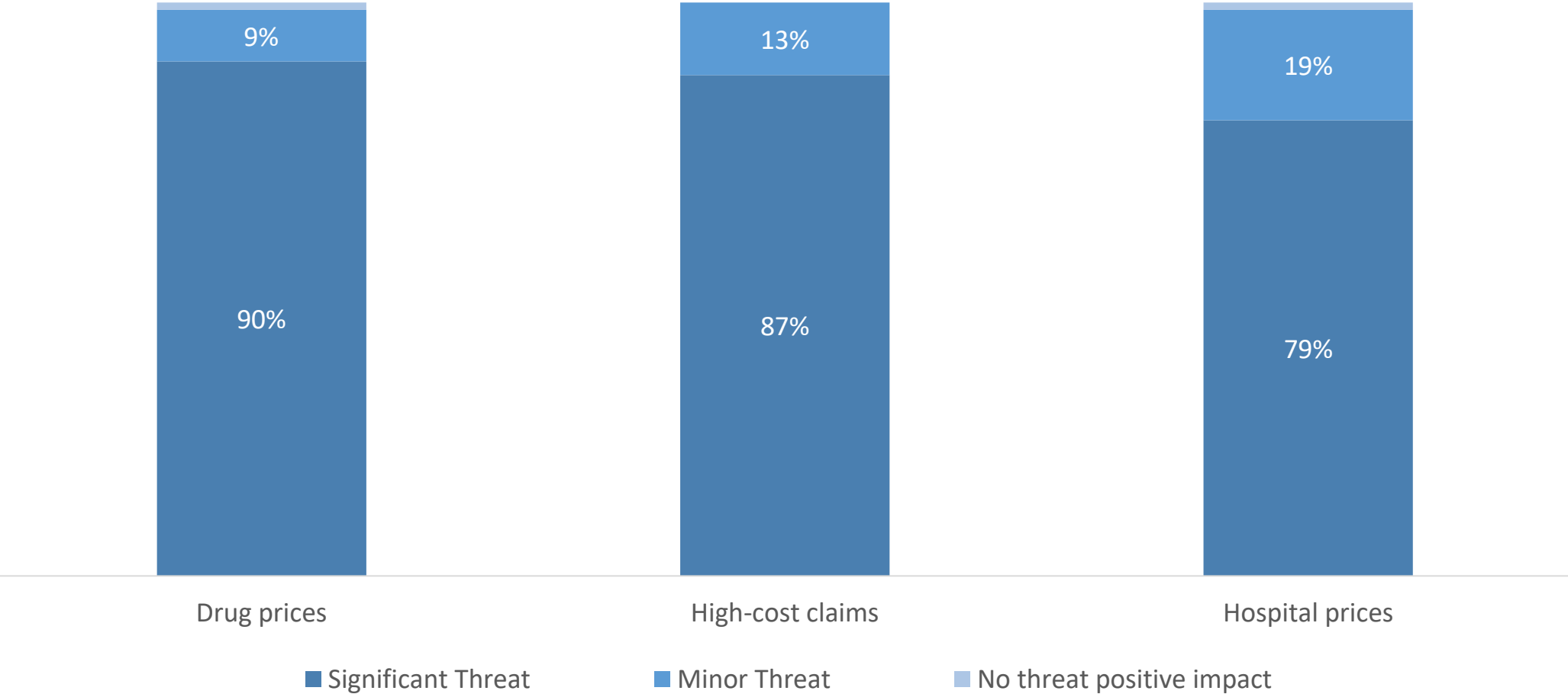
- Costs directly or indirectly crowd out salary or wage increases (**73% agree**)
- Costs impact our organization's ability to remain competitive (**82% agree**)

As plan sponsor fiduciary:

Over 95% of employers agree they have a right and a responsibility to:



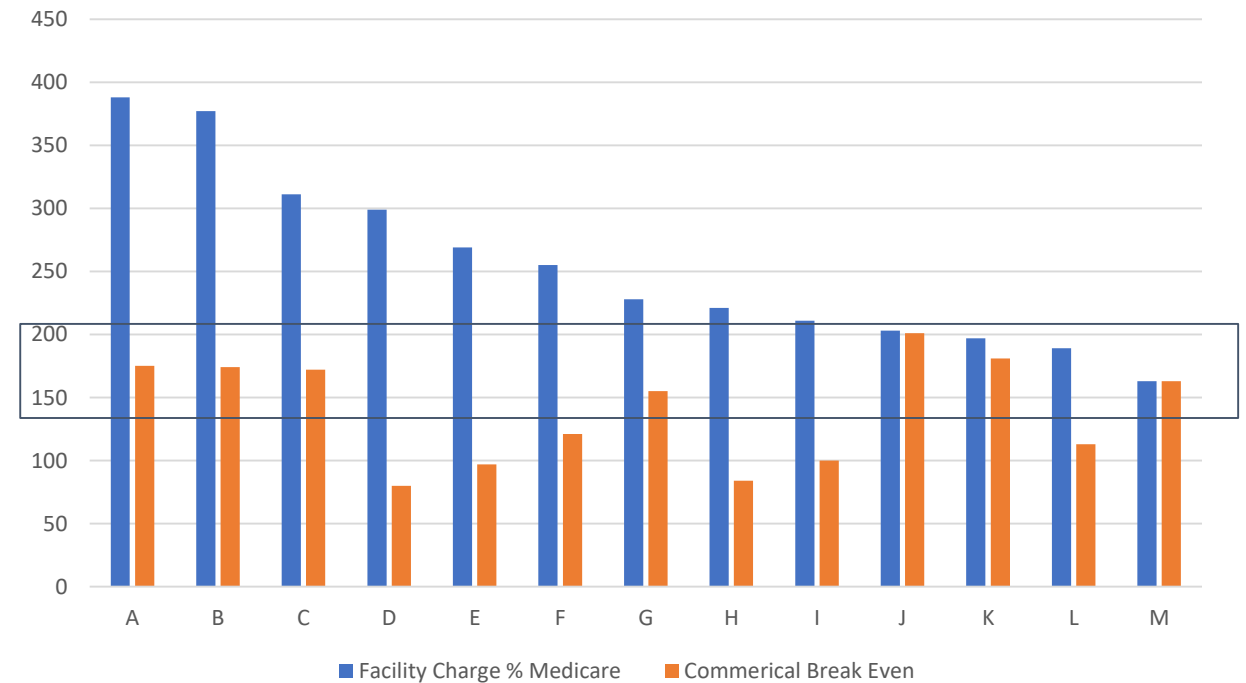
Biggest affordability threats are drug prices, high-cost claims, and hospital prices



Hospital Fair Price

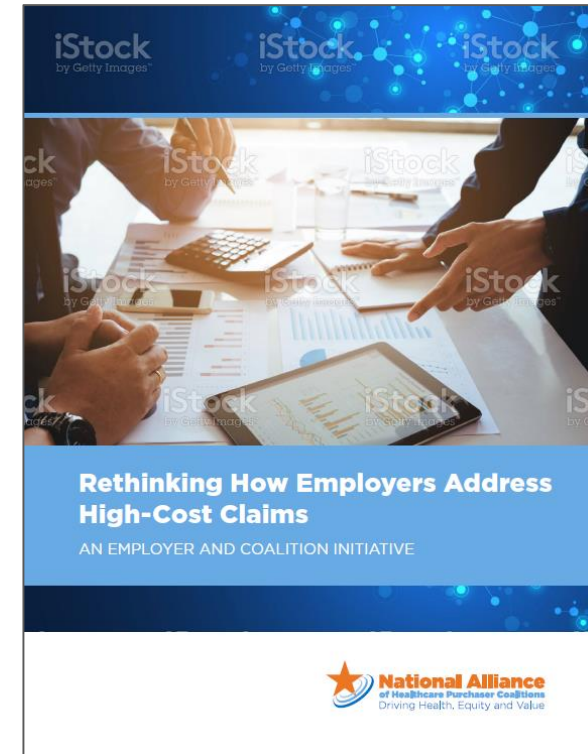
- Fiduciary
- Getting to a Fair Price Playbook
- Regional Education
- Stakeholder Engagement
- Media Coverage

Hospital Charges - 4 Star & 5 Star Hospitals



High-Cost Claims

- Threat, complexity and purchaser management strategies
 - Cancer
 - Prenatal/Neonatal Care
 - Rare Disease & Gene Therapy
 - Specialty Drugs
- Key overall Recommendations
 - Learn the drivers - Past not best predictor of the future
 - Prevent likelihood and mitigate magnitude
 - Identify and intervene early
 - Ensure appropriateness and consider alternatives
 - Enforce accountability & plan for future risk



Drugs/PBM Reform

- PBM Misalignment
- Federal Policy on PBMs & “Middlemen”
- Medical Drugs/340b
- Gene Therapy/Value Assessment

PBM

- Spread Pricing
- Inflated MAC and AWP
- Hidden Clauses & Definitions
- “Admin fees”
- Rebate and revenue centric contracting & Formulary management
- Lack of appropriateness screening

PBM Affiliated Pharmacy

- Captive Mail, Specialty, Retail
- Margins, Self-dealing
- Conflicted dispensing (eg biases toward brand, 90 day retail)
- Lack of Utilization Mgmt
- Competition limiting

PBM Affiliated Rebate Aggregator

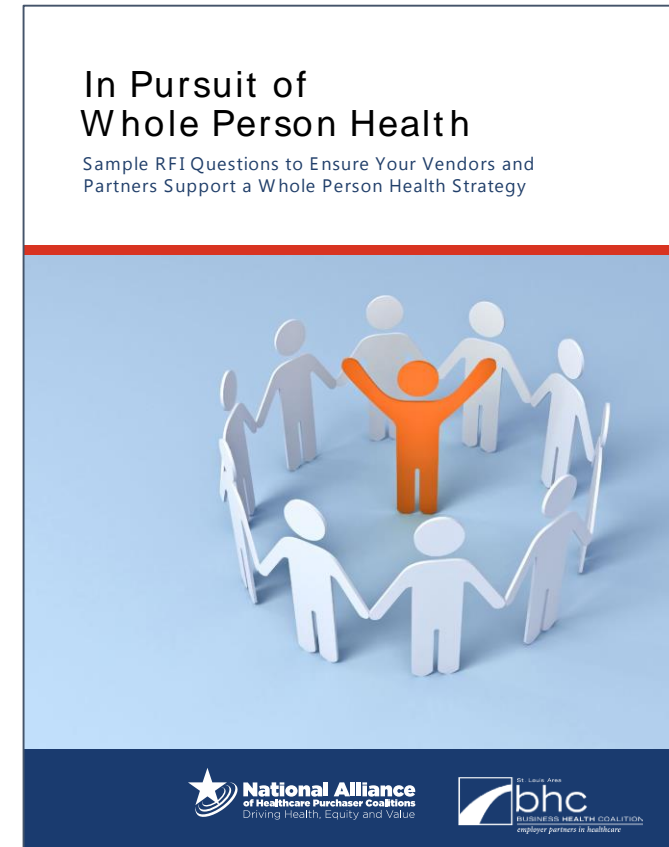
- “Sheltered Rebates”

Common PBM RFP Flaws

- Lack of alignment with fiduciary obligation
- No focus on drug mix or utilization
- Bias towards high price/ high rebate
- Can’t compare net cost of any drug or drug class
- Lack of term standardization
- Lack of focus on PMPM Drug costs or Total Cost of Care
- Ignores or rewards lack of utilization management
- Has yielded incomprehensible and indefensible margins
- Lack of accountability or alignment to plan sponsor interests
- Misaligned manufacturer negotiations
- No interim market check

Whole Person Health and Health Equity

- Whole Person Health RFI
- Health Equity Framework
- Obesity (and Diabetes)
- Cancer
- Mental Health
- Immunization/Prevention





Case Study: Equity in Mental Health

Lenses Affecting Health Equity

Income

Race

Culture

LGBTQ+

Education

Language

Environmental Factors

- Unique demands & stressors
- Social determinants
- Workplace
- Stigma
- Racism/Bias
- Neighborhood/Community

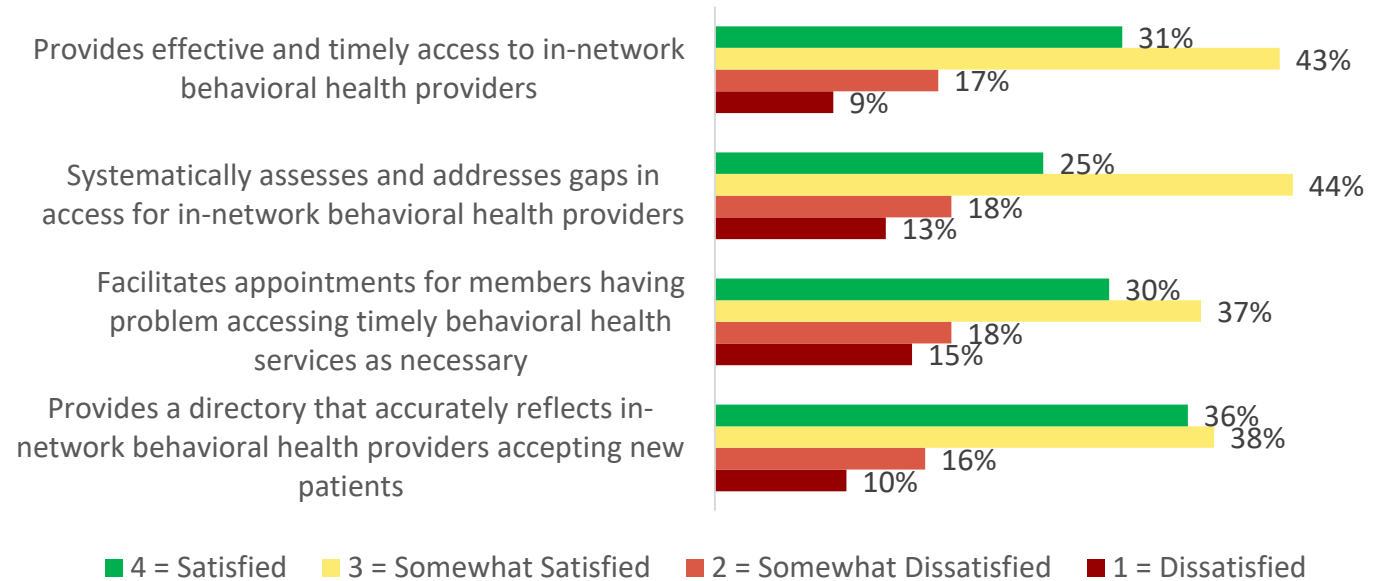
Implications for Mental Health Strategy

- Engagement of ERGs/BRGs
- Cultural competence/shared experience
- Access
- Affordability
- Trust
- Environmental Support

Mental Health

- Rethink BH Vendor Management
 - VOP Purchaser Requirements
 - Integrate Path Forward RFI tools
- Behavioral Health Integration into Primary Care
 - Consensus on “what we want”
 - Virtual models
- Progressive agenda on quality and equity
 - Synthesize research on “matching”
 - Mental Health & Health Equity

2023 Voice of the Purchaser
Network Access



Health Policy

- PBM and Drug Reform
- Health Savings Accounts
- Behavioral Health Integration
- Hospital Anti-Trust
- Surprise Billing



February 15, 2023

Health Policy in Transit
A Purchaser Viewpoint

National Alliance is a nonprofit, part-owned organization whose members represent private and public sector, nonprofit, and Taft-Hartley organizations, and more than 45 million Americans annually spending over \$300 billion annually on healthcare.

Proposed PBM Reform Legislation Falls Short

The Pharmacy Benefit Manager Transparency Act (S. 127) was introduced in the Senate on January 26, 2023. While we have concerns with this particular language, the input of the plan sponsor community does include limited language from the perspective of employer virtually no insight into employer's (and patients') reimbursement and payment practices.

Employer experience demonstrates that competitive business practices are not being used. The expense of plan sponsors and solutions for the root causes of the community remains committed to address the problems.

Perhaps most importantly, the ERISA fiduciary responsibility has not been very direct and vocal in PBM's must be fiduciaries responsible to employer plan funds in the best interest of this bill became law, a PBM required to act in the best interest of health plan and its enrollees.

In addition, the bill does not address the problems employers have with PBMs, including:

- It does not apply reasonable rules to spread pricing.
- It does not require PBMs to disclose secret agreements with pharmaceutical manufacturers, which may impact prices, formulary placement, and other critically important aspects of drug benefits.
- Further, while the bill calls for a study on PBM practices, it fails to outlaw spread pricing or related to drug formulary placement. Moreover, a study is not needed because patients to suffer from high prices and lack of access to drugs for additional years.

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February 16, 2023

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Senate Commerce, Science, and Transportation Committee
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Ms. Smith,

The National Alliance of Healthcare Purchaser Coalitions (National Alliance) is the only nonprofit, purchaser-led organization with a national and regional structure dedicated to driving health and healthcare value across the country. Our members represent private and public sector, nonprofit and Taft-Hartley organizations, and more than 45 million Americans, spending over \$300 billion annually on healthcare. We are writing today to submit this statement for the record on the hearing held by the Committee on February 15, 2023 titled Bringing Transparency and Accountability to Pharmacy Benefit Managers.

Employer experience demonstrates that PBMs too often engage in opaque and anti-competitive business practices that are geared to improve their own bottom line at the expense of plan sponsors, and employees and their families. We are very concerned about the recently introduced legislation, The Pharmacy Benefit Manager Transparency Act (S. 127). This bill does not offer any solutions for the root causes of these issues. The National Alliance and the broad employer community remains committed to working with policymakers to enact legislation that would address the problems employers face when working with PBMs.

The PBMTA does not require PBMs to be transparent about secret agreements with pharmaceutical manufacturers, which may be affecting drug prices, formulary placement, and other critically important aspects of prescription drug benefits. Further, while the bill calls for a study on PBM practices, it fails to outlaw direct payments related to drug formulary placement. Patients deserve immediate relief from these practices. Moreover, a study is not needed and will only cause patients to suffer unnecessarily high prices and lack of access to competing products for additional years.

We believe Congress should enact legislation to fundamentally reform PBM business practices and the drug supply chain. For the plan sponsor community to support a bill aimed at PBM reform, such legislation must:

- Require PBMs to provide plan sponsors with timely reports on the costs, fees and rebate information associated with their PBM contracts.
- Prohibit PBMs from engaging in spread pricing or charging a plan sponsor, health insurance plan, or patient more for a drug than the PBM paid to acquire the drug.
- Require the PBM to pass on 100% of any rebates or discounts to the plan sponsor.
- Require PBMs to act as fiduciaries under ERISA.
- Require PBMs to disclose to plan sponsors any bona fide fee arrangements.
- Prohibit PBMs from altering a plan sponsor's formulary in exchange for remuneration from a third party.

OPEN DISCUSSION