



Uncompromised Care & Measurable Cost Management Go Hand-in-Hand



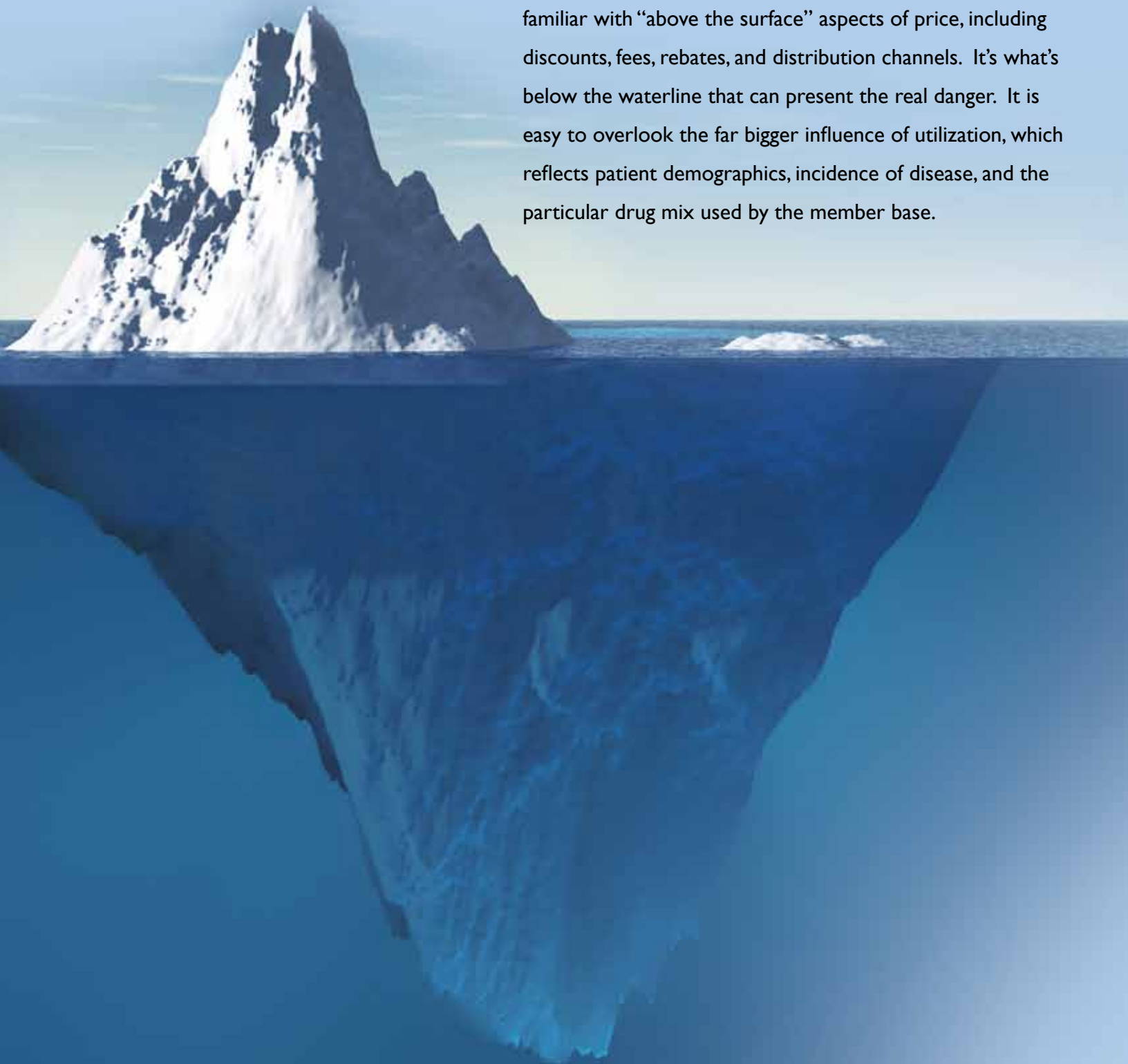
“MaxCare does a great job of breaking it all down and relating it to our bottom line.”

– J. McNeil, Director of Human Resources, Non-profit Organization

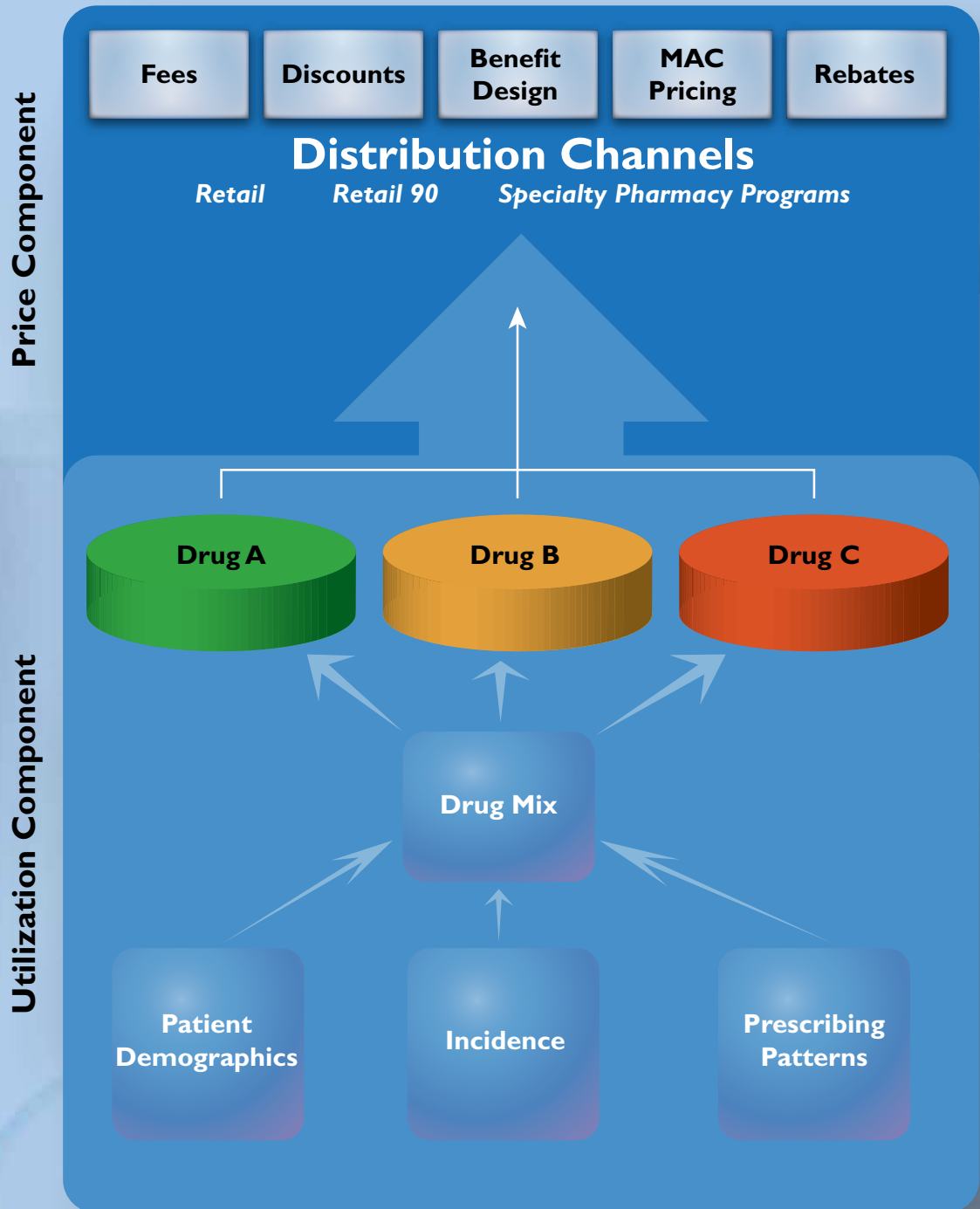
The cost of healthcare, including prescription benefits, is one of the most salient issues in the news today. Plan sponsors have the difficult task of overseeing these costs for their own organizations, often with limited or inaccurate information. Our goal is to explain the factors that influence cost and give tangible suggestions for keeping them as low as possible.

FOCUS ON THE COMPLETE PICTURE

If we use the analogy of steering a boat, it's easy to navigate around dangers that are clearly visible. Most sponsors are familiar with "above the surface" aspects of price, including discounts, fees, rebates, and distribution channels. It's what's below the waterline that can present the real danger. It is easy to overlook the far bigger influence of utilization, which reflects patient demographics, incidence of disease, and the particular drug mix used by the member base.



To accurately assess the cost of a prescription benefits plan, one must consider the two components of cost — price and utilization.



PRICE COMPONENTS

Fees. The pricing philosophy will govern fee structure. Because all organizations are different and have unique needs, plan sponsors should look for a PBM that offers choices.

Pricing Philosophy. Here are the two main options:

Traditional Structure

- **Adjudication Fee** – low or none
- **Network Rates** – vary by plan, PBM maintains spread between payment to pharmacy and charge to plans
- **Rebates** – PBM maintains revenue from pharmaceutical manufacturers, may share some rebates with plan
- **Goal Misalignment** – revenue for PBM derived from multiple points, not readily visible to the sponsor and at the expense of the plan

Fixed Fee Structure (Pure Pass-through)

- **Adjudication Fee** – this higher fee represents the only source of revenue for the PBM
- **Network Rates** – substantially better rates because 100% of discount is passed through to plans
- **Rebates** – 100% pass-through of all revenues from manufacturers
- **Goal Alignment** – PBM revenue comes solely from the adjudication fee and is clearly visible to sponsor, offering complete transparency

Discounts and Distribution Channels. The best overall plan package offers a full range of distribution channels, including retail, specialty, and 90-day supply options. PBM's negotiate pricing for each distribution channel, so make sure your plan's costs are competitive for each.

For example, analysis shows that 90-day "mail at retail" programs save money over traditional mail order services. Specialty pharmaceuticals also present challenges with high cost medications that serve a small percentage of plan members. Plan sponsors should work closely with the PBM to analyze specific drug mix and maximize savings wherever possible.

Benefit Design. The benefit design influences many aspects of the total prescription benefit program. Properly designed, it balances both member care and plan cost. When out of balance, costs increase, satisfaction decreases, and the benefit fails to meet the overall goal.

MAC Pricing. Maximum allowable cost (MAC) pricing is a system that provides a discount rate for generic medications. The most effective MAC prices balance a good discount rate for the client with fair reimbursement to the pharmacy in order to encourage the use of generics.


Rebates. Although rebates sound like a good money-saving option, plan sponsors must be careful to compare the net cost of the drug compared to other treatments in the category. Often, rebates given on expensive brand name drugs still yield a higher overall cost than a generic or lower priced drug without a rebate. Plan sponsors must also understand the design of their plan to know if rebates are passed through to their bottom line or retained by the PBM.



UTILIZATION

Although often overlooked, utilization is the largest contributing factor to overall plan cost. Patient demographics and the incidence and prevalence of disease represent aspects of utilization that are difficult to control in the short term. Costs can be managed to a certain extent, by influencing physician prescribing patterns and the resulting drug mix utilized by members of the plan. These variables are managed via clinical programs, plan design, and educational campaigns as part of the overall drug utilization review (DUR).

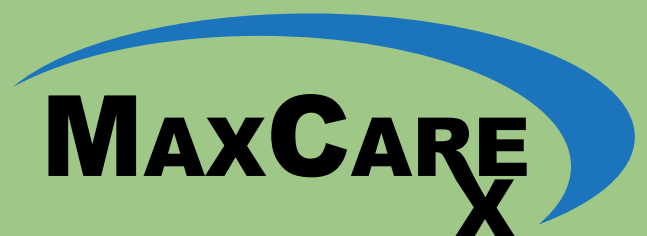
Tools	Examples	Effect On Cost
Clinical programs	Therapeutic substitutions to lower cost (but still effective) medications; step therapy programs; prior authorization requirements; quantity control; dispense as written (DAW) requirements	Encourage members to use the lowest cost therapeutically effective drug; ensures appropriate utilization and prevents stockpiling; encourages physicians to consider lower cost alternatives when prescribing.
Plan design	Co-pay amounts; tiered co-pay structure	Encourages members to request lower cost alternatives and requires them to share the cost of medications.
Educational campaigns	Over-the-counter alternatives to prescription medications; use of generic drugs; compliance & persistence in using medications	Encourages member awareness of lower cost treatments; proper use of prescribed medications can prevent more serious and costly illnesses.



MaxCare is your partner in keeping plan costs as low as possible.

We offer:

- Goal alignment and full transparency
- Open communication and complete understanding of cost variables
- Flexible plan design
- Strategies for maximizing the use of generics
- Competitive rates and discounts across distribution channels
- Safeguards to ensure appropriate utilization
- 90 Days at retail program
- Full range of clinical programs
- Extensive network of community based independent and chain pharmacies to ensure convenient access





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