

Case Study: Best And Final Offer



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Consultant's spreadsheet – a case study

		Health Plan Bid			Coalition Bid		
Price Point		2018	2019	2020	2018	2019	2020
Discounts	Retail Brand 30 (AWP)	17.0%	17.0%	17.0%	18.0%	18.0%	18.0%
	Retail Brand 90 (AWP)	20.0%	20.0%	20.0%	22.0%	22.0%	22.0%
	Retail Generic 30 (AWP)	80.5%	80.5%	80.5%	80.0%	80.5%	81.0%
	Retail Generic 90 (AWP)	80.5%	80.5%	80.5%	80.0%	80.5%	81.0%
	Mail Brand (AWP)	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
	Mail Generic (AWP)	83.5%	83.5%	83.5%	83.0%	83.5%	84.0%
	Specialty (AWP)	18.0%	18.0%	18.0%	19.0%	19.0%	19.0%
Rebate Guarantees (Per Brand)	Retail 30	\$85	\$85	\$85	\$100	\$105	\$110
	Retail 90	\$240	\$240	\$240	\$250	\$263	\$276
	Mail	\$240	\$240	\$240	\$250	\$263	\$276
	Specialty	\$900	\$900	\$900	\$1,000	\$1,050	\$1,103
Fees	Clinical Program	-	-	-	-	-	-
	Medical ASO Carve-Out	-	-	-	-	-	-
Drug Spend		\$4,235,779	\$4,235,779	\$4,235,779	\$4,222,361	\$4,196,187	\$4,170,013
Guaranteed Rebates		\$(852,340)	\$(852,340)	\$(852,340)	\$(937,100)	\$(983,955)	\$(1,033,153)
Fees		-	-	-	-	-	-
Total Cost		\$3,383,439	\$3,383,439	\$3,383,439	\$3,285,261	\$3,212,232	\$3,136,860
TOTAL 3 YEAR COST:		\$10,150,317			\$9,634,352		

SAVINGS:

Coalition: 5%

RESULT:

**COALITION
WINS**



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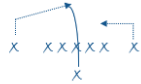
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Consultant assumptions and contract term

YOUR PLAYBOOK

Offensive Moves

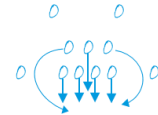


Read RFP documentation

- Pick up on language around client and how claims data may change
- Does the RFP mention:
 - Change in plan design?
 - Currently enrolled in program that could shift claims?

Only offer a 3 year deal

Defensive Moves



Ask the consultant about any data assumptions in their analysis

Use data inconsistencies to your benefit



Contract term and tiering

ALWAYS:



Bid with a multi-year deal – typically three or more



Use tiered price points

EXAMPLE: 3 year deal

	2018	2019	2020
Brand Drug Discount	17.00%	17.25%	17.50%
Generic Drug Discount	75.00%	75.25%	75.50%
Rebate Share %	100%	100%	100%
Brand Rebate Guarantee	\$75.00	\$76.00	\$77.00



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Getting closer

	Price Point	Health Plan Bid			Coalition Bid		
		2018	2019	2020	2018	2019	2020
Discounts	Retail Brand 30 (AWP)	17.0%	17.0%	17.0%	18.0%	18.0%	18.0%
	Retail Brand 90 (AWP)	20.0%	20.0%	20.0%	22.0%	22.0%	22.0%
	Retail Generic 30 (AWP)	80.5%	81.0%	81.5%	80.0%	80.5%	81.0%
	Retail Generic 90 (AWP)	80.5%	81.0%	81.5%	80.0%	80.5%	81.0%
	Mail Brand (AWP)	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
	Mail Generic (AWP)	83.5%	84.0%	84.5%	83.0%	83.5%	84.0%
	Specialty (AWP)	18.0%	18.0%	18.0%	19.0%	19.0%	19.0%
Rebate Guarantees (Per Brand)	Retail 30	\$85	\$87	\$89	\$100	\$105	\$110
	Retail 90	\$240	\$246	\$252	\$250	\$263	\$276
	Mail	\$240	\$246	\$252	\$250	\$263	\$276
	Specialty	\$900	\$922	\$945	\$1,000	\$1,050	\$1,103
Fees	Clinical Program	-	-	-	-	-	-
	Medical ASO Carve-Out	-	-	-	-	-	-
	Drug Spend	\$4,235,779	\$4,209,605	\$4,183,431	\$4,222,361	\$4,196,187	\$4,170,013
	Guaranteed Rebates	\$(852,340)	\$(873,649)	\$(895,490)	\$(937,100)	\$(983,955)	\$(1,033,153)
	Fees	-	-	-	-	-	-
	Total Cost	\$3,383,439	\$3,335,957	\$3,287,941	\$3,285,261	\$3,212,232	\$3,136,860
	TOTAL 3 YEAR COST:	\$10,007,337			\$9,634,352		

SAVINGS:
Coalition: 4%

RESULT:
COALITION WINS



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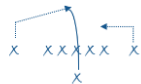
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Rebates

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Offensive Moves

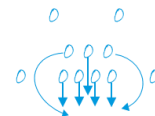


Lead with closed managed formulary with high utilization management

Un-hedge rebate guarantee

- Percent pass back
- Flat dollar rebates

Defensive Moves



Caveat your offer to reduce risk

- Require offsetting
- Reserve right to re-address rebate guarantees if:
 - Material change in drug mix/utilization
 - Change in law



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Closed/exclusionary formulary

Advantages of excluding drugs from your formulary



Addresses
manufacturer
coupons



Simplifies the
formulary/rebate
evaluation



Makes manufacturers
bid very aggressively
due to “all or nothing”



Where is the market today?

Top PBMs all lead with a formulary with drug exclusions



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For example ...

Sample Health Plan 3-Tier Open vs. Express Scripts NPF (w/ drug exclusions)

	Health Plan 1	Health Plan 2	Health Plan 3
Health Plan Custom Formulary	\$40	\$65	\$95
Express Scripts NPF	\$100	\$100	\$100
Variance Health Plan Custom vs. Express Scripts NPF	\$60	\$35	\$5
% Variance Health Plan Custom vs. Express Scripts NPF	150%	54%	5%

Notes:

All data illustrative • Commercial groups • Retail non-specialty rebates • \$15 copay differential • \$ amounts are rebate per brand Rx



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Getting even closer

	Price Point	Health Plan Bid			Coalition Bid		
		2018	2019	2020	2018	2019	2020
Discounts	Retail Brand 30 (AWP)	17.0%	17.0%	17.0%	18.0%	18.0%	18.0%
	Retail Brand 90 (AWP)	20.0%	20.0%	20.0%	22.0%	22.0%	22.0%
	Retail Generic 30 (AWP)	80.5%	81.0%	81.5%	80.0%	80.5%	81.0%
	Retail Generic 90 (AWP)	80.5%	81.0%	81.5%	80.0%	80.5%	81.0%
	Mail Brand (AWP)	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
	Mail Generic (AWP)	83.5%	84.0%	84.5%	83.0%	83.5%	84.0%
	Specialty (AWP)	18.0%	18.0%	18.0%	19.0%	19.0%	19.0%
Rebate Guarantees (Per Brand)	Retail 30	\$95	\$97	\$100	\$100	\$105	\$110
	Retail 90	\$250	\$256	\$263	\$250	\$263	\$276
	Mail	\$250	\$256	\$263	\$250	\$263	\$276
	Specialty	\$1,000	\$1,025	\$1,051	\$1,000	\$1,050	\$1,103
Fees	Clinical Program	-	-	-	-	-	-
	Medical ASO Carve-Out	-	-	-	-	-	-
	Drug Spend	\$4,235,779	\$4,209,605	\$4,183,431	\$4,222,361	\$4,196,187	\$4,170,013
	Guaranteed Rebates	\$(925,320)	\$(948,453)	\$(972,164)	\$(937,100)	\$(983,955)	\$(1,033,153)
	Fees	-	-	-	-	-	-
	Total Cost	\$3,310,459	\$3,261,152	\$3,211,267	\$3,285,261	\$3,212,232	\$3,136,860
	TOTAL 3 YEAR COST:	\$9,782,878			\$9,634,352		

SAVINGS:

Coalition: 2%

RESULT:

**COALITION
WINS**



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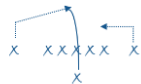
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Clinical fees

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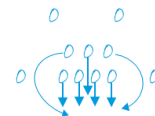
Offensive Moves



Showcase clinical programs

- Clinical benefits
- Financial benefits
 - Via ROI guarantee
 - Illustrative BoB savings
- Value of integration
- Pricing
 - Included
 - Additional fee

Defensive Moves



Question competitor programs

- Mandatory programs to realize rebate guarantees
- Additional fees vs included



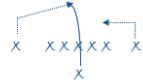
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Incentivize carve-in

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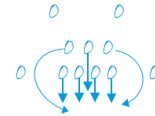
Offensive Moves



Incentivize carve-in

- Clinical benefits
- Value of integration

Defensive Moves



Make it difficult to carve-out pharmacy

- Admin fee for data exchange



Pulling even

	Price Point	Health Plan Bid			Coalition Bid		
		2018	2019	2020	2018	2019	2020
Discounts	Retail Brand 30 (AWP)	17.0%	17.0%	17.0%	18.0%	18.0%	18.0%
	Retail Brand 90 (AWP)	20.0%	20.0%	20.0%	22.0%	22.0%	22.0%
	Retail Generic 30 (AWP)	80.5%	81.0%	81.5%	80.0%	80.5%	81.0%
	Retail Generic 90 (AWP)	80.5%	81.0%	81.5%	80.0%	80.5%	81.0%
	Mail Brand (AWP)	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
	Mail Generic (AWP)	83.5%	84.0%	84.5%	83.0%	83.5%	84.0%
	Specialty (AWP)	18.0%	18.0%	18.0%	19.0%	19.0%	19.0%
Rebate Guarantees (Per Brand)	Retail 30	\$95	\$97	\$100	\$100	\$105	\$110
	Retail 90	\$250	\$256	\$263	\$250	\$263	\$276
	Mail	\$250	\$256	\$263	\$250	\$263	\$276
	Specialty	\$1,000	\$1,025	\$1,051	\$1,000	\$1,050	\$1,103
Fees	Clinical Program	-	-	-	\$0.65	\$0.65	\$0.65
	Medical ASO Carve-Out	-	-	-	\$1.00	\$1.00	\$1.00
	Drug Spend	\$4,235,779	\$4,209,605	\$4,183,431	\$4,222,361	\$4,196,187	\$4,170,013
	Guaranteed Rebates	\$(925,320)	\$(948,453)	\$(972,164)	\$(937,100)	\$(983,955)	\$(1,033,153)
	Fees	-	-	-	\$55,400	\$55,400	\$55,400
	Total Cost	\$3,310,459	\$3,261,152	\$3,211,267	\$3,340,701	\$3,267,672	\$3,192,300
	TOTAL 3 YEAR COST:	\$9,782,878			\$9,800,672		

SAVINGS:
Even

RESULT:
HEALTH PLAN WINS



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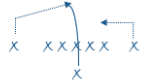
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Discounts

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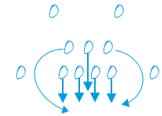
Offensive Moves



Lead with tightly managed networks

- 30-day networks
- 90-day networks
- Mail programs
- Exclusive specialty

Defensive Moves



Understand & minimize risk

- Don't hedge in the wrong areas
- Require offsetting
- Manage your exclusions

Items to look out for:

- Number of pharmacies in competing bidder's networks
- Preferred networks considered as open
- Exclusions



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Charging ahead

	Price Point	Health Plan Bid			Coalition Bid		
		2018	2019	2020	2018	2019	2020
Discounts	Retail Brand 30 (AWP)	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
	Retail Brand 90 (AWP)	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
	Retail Generic 30 (AWP)	80.5%	81.0%	81.5%	80.0%	80.5%	81.0%
	Retail Generic 90 (AWP)	83.5%	84.0%	84.5%	80.0%	80.5%	81.0%
	Mail Brand (AWP)	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
	Mail Generic (AWP)	83.5%	84.0%	84.5%	83.0%	83.5%	84.0%
	Specialty (AWP)	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Rebate Guarantees (Per Brand)	Retail 30	\$95	\$97	\$100	\$100	\$105	\$110
	Retail 90	\$250	\$256	\$263	\$250	\$263	\$276
	Mail	\$250	\$256	\$263	\$250	\$263	\$276
	Specialty	\$1,000	\$1,025	\$1,051	\$1,000	\$1,050	\$1,103
Fees	Clinical Program	-	-	-	\$0.65	\$0.65	\$0.65
	Medical ASO Carve-Out	-	-	-	\$1.00	\$1.00	\$1.00
	Drug Spend	\$4,153,625	\$4,127,451	\$4,101,277	\$4,222,361	\$4,196,187	\$4,170,013
	Guaranteed Rebates	\$(925,320)	\$(948,453)	\$(972,164)	\$(937,100)	\$(983,955)	\$(1,033,153)
	Fees	-	-	-	\$55,400	\$55,400	\$55,400
	Total Cost	\$3,228,305	\$3,178,998	\$3,129,112	\$3,340,701	\$3,267,672	\$3,192,300
	TOTAL 3 YEAR COST:	\$9,536,415			\$9,800,672		

SAVINGS:
Health Plan: 3%

RESULT:
HEALTH PLAN WINS



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