

PERSPECTIVE ON POLICY CHANGE

EnvisionRx point of view and answers to questions on the White House proposed point-of-sale drug rebate rule.

On January 31st, the Health and Human Services (HHS) Secretary Alex Azar proposed a new rule eliminating safe harbor protection for arrangements in which drug manufacturers pay rebates to pharmacy benefit managers (PBMs), Medicare Part D plans and Medicaid managed care organizations. The proposed rule would favor sharing rebates directly with patients at the point of sale (also known as “passing through rebates,” or “point-of-sale (POS) rebates”).

For nearly 20 years, our EnvisionRx PBM has offered our pass-through model, which provides rebates to plan sponsors who, using our patented systems, have the option to share rebate value with patients at the point of sale. Over 90% of current EnvisionRx PBM commercial clients use the pass-through model to receive their rebates and many already share this value with patients at the POS. EnvisionRx is extremely experienced and operationally prepared to swiftly take action, should the rule become law.

The Centers for Medicare and Medicaid Services (CMS) provided further guidance on April 5th, stating that if safe harbor rules change for 2020, CMS will conduct a two-year demonstration beginning late summer/early fall to test the transition for beneficiaries and plans. Plans would have the option to participate and be required to do so for the full period. CMS would modify the risk corridor structure for Part D plans, so if there is a deviation between a plan’s target costs and actual, beyond 0.5%, the government would assume 95% of the difference during the test. As further guidance, CMS stated that Part D plans should submit 2020 bids consistent with the Anti-Kickback Statute law and regulations in effect as of the submission deadline. Given the timing, it is assumed bidding should reflect current, unchanged laws.

Groups such as America’s Health Insurance Plans (AHIP) and the Pharmaceutical Care Management Association (PCMA) have publicly expressed their opinions that a hyper-focus on drug rebates will not solve the overall problem of high drug costs and there are risks associated with this proposal (e.g., increased premiums for all; more limited benefits; net cost increases after rebate value is reduced). As is the normal process before implementing a policy change, HHS has allowed plans and industry advocates like AHIP to submit comments on the proposed legislation by April 8, 2019. EnvisionRx has submitted comments as well, and all comments are part of the public record.

While commercial plans could be impacted in the future, the proposed implementation date of January 1, 2020 relates only to Medicare and Medicaid plans. While most Medicare plans are preparing bids for the 2020 plan year under the current model, whenever the proposed rule is fully enacted, the primary issue plans face is how to adjust monthly premium, benefit design and formulary strategies. The shift from plans being allowed to retain rebates (which allows lower premiums and/or added benefits for all members) to requiring plans to pass rebates at the point of sale (to those patients using brand, rebate-qualified medications) could have a significant impact on future plan designs and bids.

As HHS has not yet confirmed whether the proposed rule will go into effect for the 2020 plan year, many plan sponsors are looking to EnvisionRx for our point of view and support as they develop their future business strategy.

EnvisionRx Perspective: Answers to popular questions on the impact of the proposed change to drug rebate management for PBMs and government-sponsored plans.

How are rebates passed today for Medicare/Medicaid?

In alignment with current rules, all of our Medicare and Medicaid clients have their rebates passed to their plan. As there is no need to pass a rebate to the patient at the point of sale, rebates are passed to the plan sponsor using a credit memo.

How will rebates be passed if this rule is enacted?

If the rule is passed, clients will no longer be able to elect to have rebates passed to the plan. Instead, clients will be required to pass rebates to patients at the point of sale. EnvisionRx has been applying rebates at the point of sale for nearly 20 years and can readily utilize our patented technology to implement this process. Under our point-of-sale rebate model, EnvisionRx applies the brand discount to the ingredient cost and then attaches the rebate estimate. The resulting discounted ingredient cost, reduced for the estimated rebate plus the dispensing fee (total discounted drug cost), will be adjudicated under the plan's benefit to determine each payers' (i.e. member, plan, CMS, 3rd party) cost. This process will occur at every phase of the benefit.

Will this rule change apply to commercial clients?

The proposed change for January 1, 2020 only impacts government-sponsored plans. In the future, it is possible commercial plans could also be required to pass rebates to patients at POS.

Can EnvisionRx implement this rule for 2020?

Yes. Our company was founded on the idea of transparency. EnvisionRx has a patented point-of-sale rebate technology and many of our commercial clients are successfully utilizing our platform to share rebates with patients at the point of sale today. It is available for both Medicare and Medicaid clients, although, in accordance with CMS regulation, none have elected to implement this to date.

When does EnvisionRx believe this will be implemented?

Like everyone, we do not know for certain, but the industry is requesting the rule be pushed to January 1, 2021.

Can EnvisionRx create Prescription Drug Event (PDE) data appropriately for rebates at POS?

Yes. Our patented point-of-sale rebate technology allows us to adjudicate claims and generate PDEs appropriately.

Will pharmacies chargeback manufacturers directly?

We do not think this is likely in the industry.

Can you share the comments EnvisionRx submitted?

The comment period ended April 8, 2019. All comments are public record. EnvisionRx comments are available on request.

In general, today PBMs receive rebates and then pass along to the plan. With this rule, how will the rebate dollars flow? Will PBMs continue to receive rebates and pass the money along to the pharmacy instead?

In a typical arrangement, plan sponsors are responsible for the total due the pharmacy at the point of sale, less any member cost share (copay, coinsurance). PBMs then collect rebate funds from manufacturers a few months after the POS transaction and, in a pass-through model, pass these to the plan. Neither members nor the pharmacy actually receive rebate payments or funds. Under the new rule, this remains the same. However, the PBM's adjudication technology must have the capability to adjust the member's cost share, by applying the projected rebate and adjusting the amount due from the member based on the beneficiary's coverage (e.g., Which phase are they in? Have they met their annual deductible?). In short, the PBM systematically adjusts the member cost share by giving an advanced credit at the point of sale for the projected rebate and, after reconciling with the manufacturer, still passes residual rebates due to the plan, if any.

Will there be a post-POS reconciliation of Direct and Indirect Remuneration (DIR)?

Our best guess is yes. The POS rebate estimate will likely never be the same as the actual rebate invoiced.

How often does EnvisionRx update net discount rebates for the POS and plan sponsor rebate estimates in a pass through/POS rebate model?

Point-of-sale rebate rates are updated as improvements are negotiated or new drugs are added to the rebate schedule. Plan sponsor rebate estimates are updated multiple times yearly, but no less than annually.

If the rule is passed, will EnvisionRx be able to get better rebate discounts from the manufacturers?

It is our expectation that we will achieve roughly the same or better net effective price due to continued rate improvements and more alternative medications, such as authorized generics, become available in the market.

If EnvisionRx does obtain better discounts, will they be across all drugs or just brand?

The rule currently impacts only brand drugs, but EnvisionRx will pursue all options.

If the rule is passed, will rebates be passed at the POS by drug or will the entire structure change (e.g., percentage discount, flat amount, variable by drug)?

We cannot know for certain, but we can assume that they will vary by drug and possibly by structure as a percentage of ingredient costs.

Will only the Medicare/Medicaid portion of rebate contracts be restructured or could the non-Medicare/non-Medicaid portion also be renegotiated?

The proposed rule only applies to Medicare/ Medicaid currently. It is too early to know if manufacturers are willing to separate pricing structures for the same drug between Medicare/Medicaid and commercial business. Therefore, non-Medicare/non-Medicaid arrangements could be renegotiated as well. Additionally, we expect the commercial market to apply similar POS rebate concepts.

Because volume discounts would no longer be allowed, could the formulary be materially different under the POS rebate rule? If so, how?

It is likely there will be a de-emphasis on the position of drugs with rebates and guiding principles of formulary management may also change. With the current rule for rebate payments (made post-POS), many formulary guiding principles are based on the net plan cost after taking into account members cost share, low income cost share, federal reinsurance subsidy, coverage gap discount and rebate. If the rebate is shared with the patient at the point of sale, guiding principles would be more focused on gross plan cost, net of rebate. This could change the formulary strategy, including brand coverage, tier placement and utilization management (UM) criteria, especially for drugs with rebates.

Are there any other formulary strategies EnvisionRx is pursuing?

Yes. We are also pursuing component strategies, such as network and formulary relative to the overall product design. EnvisionRx will work with plans to strike a balance in driving a lower net plan paid while offering a differentiated value and choice to members.

Is there any impact to the pharmacy DIR collected by EnvisionRx?

This is not applicable, as EnvisionRx does not collect pharmacy DIR for our Medicare or Medicaid clients.

Will the current manufacturer rebate DIR be impacted?

Yes. All of our external clients' DIR comes from manufacturer rebates provided to plan sponsors.

Can EnvisionRx provide the 2017 final DIR reports and any preliminary 2018 DIR reports?

Yes. 2017 DIR summary and detailed reports are available by client. We are still working on 2018 DIR reports and will share once they are available.

Will pharmacy discount guarantees be restructured or will they simply move to the point of sale?

EnvisionRx assumes rebates will simply move to the POS using our patented POS rebate operation, which all of our network pharmacies are familiar with. Additionally, our current understanding is that pharmacy discounts and manufacturer rebates (discount) will continue to be negotiated separately. As EnvisionRx continues to improve network rates, our pharmacy discounts may improve year over year.

Will pharmacy dispensing fees change?

Probably not, but as a transparent PBM, EnvisionRx will continue to pass network improvements as they become available.

Do you expect any changes in the administrative fees charged to a plan under a POS rebate structure?

This will vary by client. We are pursuing all available options related to the administrative and financial impact of this rule.

Does EnvisionRx currently retain rebates?

The EnvisionRx pass-through model does not retain any portion of the rebate and passes 100% of rebates to our Medicare and Medicaid clients.

Will EnvisionRx provide NDC or drug level rebate information for clients to do modeling?

Upon request, EnvisionRx can provide the average net ingredient cost of a product.

If the rule is not finalized prior to the bid submission deadline, how do you see plans bidding?

According to the most recent CMS guidance provided on April 5th, plans should bid according to the laws in place at the time of submission. Given the timing, it is assumed that no change will be in effect for the 2020 bid submission of June 2019. Therefore, we believe plans will bid assuming rebates will continue to be allowed to be retained by the plan post POS. However, due to the uncertainty, we also assume most plans will internally prepare for a bid change should the government allow a bid submission extension or adjustment.

Can EnvisionRx help clients understand their impact?

As experts in the government-sponsored health insurance industry, and with more than 20 years' experience passing rebates at the point of sale, EnvisionRx can help clients navigate this change with confidence. We can help evaluate the financial impact of this change, and define things like net plan paid, Medical Loss Ratio (MLR) and CMS receivables for calendar year 2018, assuming 2020 bids remain the same and rebate was pushed to the POS.

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As a fully auditable PBM with a rapid implementation process and the proven, patented technology needed to effectively manage rebates at the point of sale, there's never been a better time to partner with EnvisionRx.



ASK THE EXPERTS

Engage your EnvisionRx representative or send an email to visiblydifferent@envisionrx.com.



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