

## Case Study

# Health Plan Saves More Than \$42 Million in Pharmacy Costs

Transparent operations, dynamic technology and clinical expertise enabled Virginia Premier to improve opioid utilization, member care and their bottom line





## SITUATION

Virginia Premier Health Plan (VPHP), a managed care organization owned by the Virginia Commonwealth University Medical Center, serves 200,000 vulnerable population members in Virginia by delivering quality-driven, culturally sensitive and financially viable healthcare. An Elixir client since 2012, VPHP required a partnership with a pharmacy benefit manager that could help them navigate the complex environment, reduce costs and deliver a better pharmacy care experience for their members.

### Rising Specialty Costs & Increased Market Complexity

The high cost of specialty medications has changed the landscape of pharmacy care. Since 2010, specialty medications have dominated new drug approvals, and at the same time, increased drug spend considerably.

But cost is only part of the concern. Health plans like VPHP have to determine if these new drugs are effective, safe and the best treatment for the member. Rebates and new formulations of previously approved drugs are inflating drug spend, and causing confusion in the marketplace. Each situation has to be carefully weighed to ensure the right decisions are made in regards to pharmacy care.

### Lack of Pricing Clarity

Amidst the complexity of rising drug costs, manufacturer rebates and discounts, VPHP wanted clarity into the true cost of the prescriptions their members need. They wanted better access to utilization data, network contracts and manufacturer rebate contracts, with the ability to audit down to the individual claim.

### Complex Drug Pipeline & Need for Additional Clinical Insight

As more and more drugs enter the marketplace, VPHP sought a partner to assist them in understanding and balancing the clinical effectiveness, economic impact and member benefit for new-to-market and existing medications.

### Emergency Opioid Regulations

When the State of Virginia prioritized the problem of opioid addiction, VPHP needed a partner with the infrastructure, resources and flexibility to meet new requirements and provide data to proactively address the epidemic from within the member population.



“ From pricing to account team support, Elixir acts as an advocate for me, the health plan, and most importantly, the members we serve.

~ Javier Menendez, VP Pharmacy  
Virginia Premier Health Plan

## OUTCOMES



Transparent Operations and Pass-thru Pricing Model Yield Savings of **\$42M**



Compounding Approach Saves Plan **\$840K**, making HIV Adherence More Affordable



Custom Reporting Predicts At-Risk Pregnancies, Saving Money and Lives



P&T Partnership, PBM Clinical Perspective Better Manages Pipeline



Compliance Requirements Met; Opioid Use Reduced, **\$370K** in Savings Realized



CHALLENGES

Rising Specialty Costs & Increased Market Complexity

Over the past two decades, science has found a way to make better drugs—those that can cure what was once incurable and improve symptoms for those with no previous relief. But in doing so, the high cost of these medications has changed the landscape of pharmacy care. Since 2010, specialty medications have dominated new drug approvals, and at the same time, increased drug spend considerably. Specialty medication spend has doubled in the past five years, contributing up to 70% of overall medicine spending growth.<sup>1</sup>

The cost is only half the struggle, as payers have to also determine if these new drugs are effective, safe and the best treatment for the member. Sometimes, a new-to-market drug masquerading as a revolutionary therapy is simply two previously available generic drugs packaged together at an aggressively inflated price—as was the case with anti-inflammatory drugs Vimovo and Duexis. Or, a manufacturer offers a rebate on a non-preferred medication that makes it temporarily less expensive. Each situation has to be carefully weighed to ensure the right decisions are made in regards to pharmacy care.

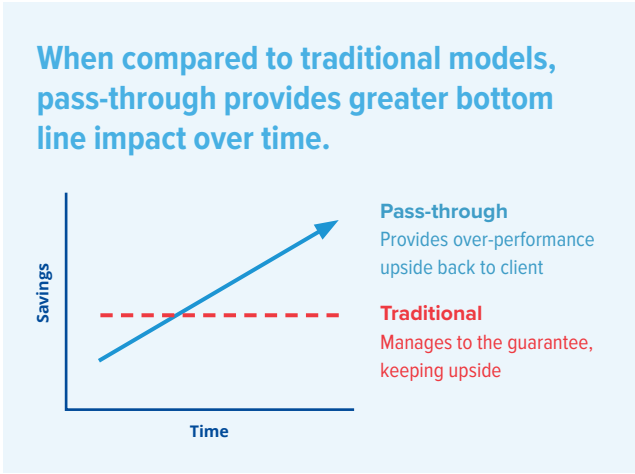
The Pharmacy Benefit Manager (PBM) is a resource for health plans, with a clinical team dedicated to understanding available drugs, the costs and benefits. As the PBM is the only party privy to all pharmaceutical transactions, it is able to see utilization and cost from a global perspective, and help payers navigate disturbing trends that needlessly add to cost. Yet what tools the PBM brings to the table varies widely and can make all the difference in the success of the plan.

Health plans like Virginia Premier (VPHP), a managed care organization for the underserved and vulnerable populations of Virginia, face numerous challenges to provide quality healthcare. Every day, they must make decisions on behalf of their members to ensure they are receiving the right drug at the right time for the right price. VPHP’s VP Pharmacy Javier Menendez is passionate about providing affordable pharmacy benefits to the plan’s 200,000 members, and expects the same commitment from his pharmacy partners.

Lack of Pricing Clarity

Most often, the selection of a PBM partner comes down to one thing: the price the plan will pay for the drugs its members use. While looking at the lowest cost provider sounds like the obvious solution, the pricing model used between PBM and payer frequently masks the true drug cost.

For example, when the traditional or spread pricing model is employed, the PBM retains the difference between the amount they pay the pharmacy that dispenses the drug and the amount charged to the client.<sup>2</sup> The PBM may also charge an administrative fee and retain a portion of the rebates from pharmacies or manufacturers. The traditional model makes budgeting easier and the PBM can offer deeper discounts and stronger guarantees. However, there is less visibility into the actual drug cost.



Many payers want complete transparency on medication costs and find the pass-through pricing model works best. In this model, PBM services are paid by an administrative fee and over-performance on guarantees are passed back to the client, depending on the PBM and the agreement. Elixir, which pioneered this model in 2001, consistently achieves 3%–6.5% over performance guarantees, because we continuously allow clients to benefit from our ability to negotiate improved terms through our pharmacy channels and with drug manufacturers.



Many associate the pass-through pricing model and transparency as one and the same, but transparency in pharmacy benefits isn’t just about pricing. A PBM can be completely transparent, honest and open about drug pricing regardless of the pricing model.

For example, a PBM might offer a guarantee for generics that is two to three points higher than that of their competitors. They do this because their definition of generic might not be the same as another provider or because the contract never actually stated a definition of generic. They might also know they can more than make up any loss in rebates or brands.

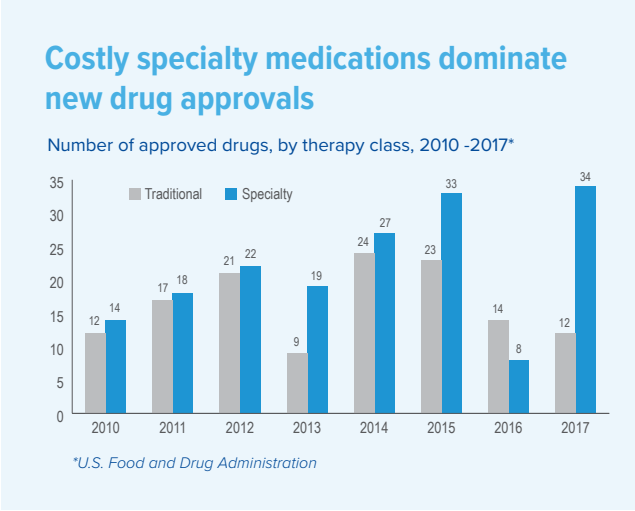
A transparent relationship between a PBM and its client utilizes clear contract language, defines terms and revenue sources, and creates a high degree of communication. Clients fully understand what they are paying for and have confidence that the PBM is acting in their best interests at all times.

It was important for VPHP to have a PBM that could deliver innovative solutions to industry challenges, while also delivering long-term value. Javier had found that a big PBM isn’t always best—and he wanted transparency, flexibility and innovation to help him manage the overall drug spend, with his members’ best interests in mind.

Complex Drug Pipeline & Need for Additional Clinical Insight

Evaluating and deciding on the safety and effectiveness of medications was a concern for VPHP. They wanted to have more insight into new-to-market drugs, as well as existing medications.

The FDA approves numerous drugs every year, and the drug pipeline is full with expensive specialty medications.<sup>3</sup> In addition to new drugs, the FDA provides alerts on drug safety and labeling changes, adverse reactions, medication recalls, and drug shortages, and as patents expire, new generic medications enter the market.







This constant flux of medications dictates the need for regular clinical review and formulary changes. VPHP sought a PBM partner that could:

- Provide in-depth clinical reports and drug monographs and help them make these critical formulary decisions.
- Use data from their member population and their claims to seek out trends, reveal price changes, find safety issues, and proactively identify areas for improvement. VPHP was concerned about hyperinflation of drugs, the utilization of opioid medications, the number of babies born with Neonatal Abstinence Syndrome (NAS), and balancing the impact to the plan.
- Assist in the development of materials for an in-house Pharmacy and Therapeutics (P&T) Committee, which, according to the American Society of Health System Pharmacists (ASHP), ensures an organized medical staff approves medication-use policies for matters related to the safe and therapeutic use of medicines.<sup>4</sup>

**Emergency Opioid Regulations**

In a memo released on December 1, 2016, the State of Virginia outlined new policies that required all health plans offering Medicaid programs to implement.<sup>5</sup> These included “the use of a uniform, streamlined prior authorization form for short and long-acting opioids for members receiving new prescriptions starting on December 1, 2016 and all members on April 1, 2017.” The immediate changes included:

- Expansion of formularies to include non-opioid pain relievers without prior authorization requirements for all members. These include lidocaine patches, capsaicin gel, gabapentin, SNRIs including duloxetine, pregabalin (Lyrica®) with step edits, NSAIDs including oral and topical, baclofen, and tricyclic antidepressants (TCAs). Additionally, Buprenorphine (Butrans®) patches and/or buprenorphine (Belbuca™) buccal film needed to be added to formularies as an alternative to long-acting opioids for select patients and will require prior authorization.
- Coverage for naloxone injection and nasal spray without prior authorization.

**What is MME and MED?**

In order to compare different opioids to one standard value, a tool was created based on morphine and its potency. Morphine milligram equivalents (MME) and morphine equivalent doses (MED) describe an opioid in this standard of morphine, allowing for ease in comparison and risk evaluations.

- Opioid quantity limits and uniform prior authorization requirements for short-acting opioids less than seven days per fill or greater than seven days within a 60-day time period (2<sup>nd</sup> fill) or less than 90 MME/day for new prescriptions only (less than 28 days of opioid therapy within the last 60 days).
- Implementation of hard edits or denials for short-acting opioids in excess of seven day quantity limits, cumulative MME greater than 120. Also, hard edits or denials for concomitant use of benzodiazepine and opioid medications for new prescriptions only.

Also effective in April, uniform prior authorization forms for all members on existing opioid therapies and new starts of short-acting opioids prescribed for greater than two 14-day supplies for 60 days. This uniform criteria includes several requirements for short-acting opioids and long-acting opioids, including documenting trial and failure of non-opioid pain relievers, calculation of MME, starting opioids at the lowest effective dose and other requirements.

This legislative change was an important initiative for the State to help address the opioid addiction problem, which it labeled a public health emergency.<sup>6</sup> In addition to citing more than a 1,000 fatal overdoses in Virginia in 2015 and an increase of 35% in 2016, the state’s opioid epidemic also includes an increase in number of children exposed to drugs in utero by 21%, resulting in more cases of neonatal abstinence syndrome (NAS).<sup>7</sup>

Due to the complexity and immediate nature of the regulations, VPHP needed the support of a pharmacy partner that could be flexible and nimble, and help them meet these new and varying requirements.

**APPROACH & OUTCOMES**

**Transparent Operations and Pass-Through Pricing Model Yield Savings of \$42M**

The concept of transparency in pharmacy benefits has become a differentiator for Elixir, as payers want to understand exactly what the costs are for the prescription medications their members use, as well as the pharmacy benefit services provided by the PBM. Health plans like VPHP want better access to utilization data, network contracts, and manufacturer rebate contracts with the ability to audit down to the individual claim. Payers are looking past complicated, immediate guarantees in order to realize long-term savings.

VPHP utilizes Elixir’s pass-through pricing model, paying a set administrative fee. Elixir passes on all of the discounts, rebates and other revenues to VPHP at the point of sale. Additionally, Elixir provides any revenues based on over-performance back to VPHP.

“Transparency isn’t just limited to the pricing. It is how the company conducts its business and relates with its clients.”

But this is only a piece of the value. Elixir operates in a truly transparent fashion, regardless of pricing model. This means that revenue sources are clearly defined and understood and a high degree of communication exists between Elixir and the client. Contract language can be confusing and have significant financial impacts. Therefore, Elixir ensures that our clients understand the contract language and the terms of our contract.

As a result of this truly transparent operation and pass-through pricing model with Elixir, VPHP will realize \$42 million in savings over a three-year term.

For Javier, transparency equals control. “When the PBM operates in a transparent fashion, you don’t have to wonder about other pharma ties or conflicts of interests,” he said. “Transparency isn’t just limited to the pricing. It is how the company conducts its business and relates with its clients. From pricing to the account team, Elixir acts as an advocate for me, the health plan, and most importantly, the members we serve.”





“NAS babies cost on average 19 times more than a healthy newborn.

~ National Institute on Drug Abuse

### P&T Partnership, PBM Clinical Perspective Better Manages Pipeline

When it comes to medication evaluations, VPHP values the clinical insight the Elixir team provides on costly medications coming to market, new indications of existing medications, pricing fluctuations and other industry changes. Through daily interactions with his “great account team,” as Javier says, he has a dedicated group providing unprecedented clinical oversight.

In addition to the day-to-day management and medication clinical research, the Elixir clinical team assists Javier

and VPHP to meet the State’s contract requirements of establishing an in-house P&T committee. Elixir clinical account executives serve an advisory role on the P&T committee, presenting data and making recommendations on drug use, indications and providing clinical studies.

Elixir pharmacists and clinical teams prepare drug monographs that outline the clinical data of new-to-market drugs. These monographs include everything from indications to side effects to clinical study outcomes supporting safety and efficacy of the medication. Elixir’s P&T committee reviews these monographs and then they are shared with clients for further discussion.

### Custom Reporting Predicts At-Risk Pregnancies, Saving Money & Lives

Elixir provides over 30 custom reports to VPHP to help them manage their clinical programs. This is in addition to our business intelligence reporting tool (RxBIRT). Generating reports may seem like an insignificant task but for Javier, it’s saving the plan money as well as lives.

For example, one of the custom reports helps identify at-risk pregnancies, specifically to reduce Neonatal Abstinence Syndrome (NAS). NAS occurs in newborns exposed to addictive illegal or prescription drugs while in the mother’s womb. Statistics show that one baby is born with NAS every 25 minutes and hospital costs for newborns with NAS were \$66,700 on average compared to \$3,500 for those without NAS. More notably, Medicaid was footing 81% of the costs.<sup>8</sup>

With the reports generated for VPHP, the health plan is able to identify potential ‘at risk’ pregnancies and provide clinical programs to help decrease NAS. These interventions can help significantly reduce the number of NAS babies born to members. While this program is relatively new, statistics on the results will be forthcoming.

### Compounding Approach Saves Plan \$840K, Making HIV Adherence More Affordable

Ad hoc reports looking at drug changes helped the Elixir clinical team catch another shocking change in VPHP’s drug spend—one patient’s drug cost rose 5,000% overnight.

In September 2015, Turing Pharmaceuticals raised the price of HIV drug Daraprim, from \$13.50 per pill to \$750 per pill. Although the patent for Daraprim had long expired, generic manufacturers weren’t interested in creating a Daraprim generic since, at the time, it was rarely prescribed and was inexpensive. However, the main ingredient in Daraprim, pyrimethamine, was readily available in powder form. So too was the drug leucovorin, which must be taken with Daraprim to avoid toxicity.

The Elixir clinical team started exploring the possibility of creating a compound as a cost-effective medication alternative for Daraprim. They determined it would be a safe, effective and much less expensive drug—at a cost of only \$2 per pill.

Cost savings was a major factor, but so too was the fact that this solution would reduce the pill burden for the patient. Since Daraprim must be taken with leucovorin, the patient had to take two pills. However, with the compound, only one would be necessary.

At a cost of \$2 per pill versus \$750 per pill, VPHP saved  
**\$70,000/mo**  
—an annual savings of  
**\$840,000**

This immediately would help with adherence, ensure that Daraprim and leucovorin were taken together and provide an extra layer of protection that the medication is taken properly.

Within two weeks, the prescription was filled and the patient was doing well on the compound. At a cost of \$2 per pill versus \$750 per pill, VPHP saved \$70,000 per month—an annual savings of \$840,000. This type of performance gives the health plan reassurance that they have the right PBM partner with Elixir.

“This was truly a team effort to create an innovative solution and put it in practice,” said Javier. “Once again, Elixir had all of the right tools to be innovative and create a solution to a huge price increase. More importantly, it ended up improving the experience for the member and helped improve adherence.”

### Compliance Requirements Met; Opioid Use Reduced; \$370K in Savings Realized

Upon announcement of the State of Virginia’s emergency regulation regarding changes to opioid medications, several other health plans requested additional time to implement the changes. Although the changes were detailed and required a great deal of programming changes to the adjudication software, Elixir was able to complete the changes for VPHP within a 30-day time period—even faster than the State’s own pharmacy benefit administrator (PBA). Because Elixir owns all of the pieces of the pharmacy care experience, including our adjudication software platform, we can be more flexible and responsive than any other PBM.

### What is a drug monograph?

A publication that specifies for a drug (or class of related drugs) the kinds and amounts of ingredients it may contain, the conditions and limitations for which it may be offered, directions for use, warnings, and other information that its labeling must contain. The monograph may contain important information concerning interactions with other drugs.

“Having access to the actual software system and those who manage it, allowed us to make a rapid change,” said Javier. “Implementing these edits, although a state requirement, was also a great cost saver for the plan, and a safeguard for our members utilizing opioids.”

As a result of the quick turnaround, VPHP was able to implement the new opioid dispensing rules and prior authorization edits, reducing the total cost of opioids 15% and overall opioid utilization among its population—an 18% decrease in the number of prescriptions filled and a 19% decrease in overall quantity of pills dispensed. This savings represents nearly \$370,000.

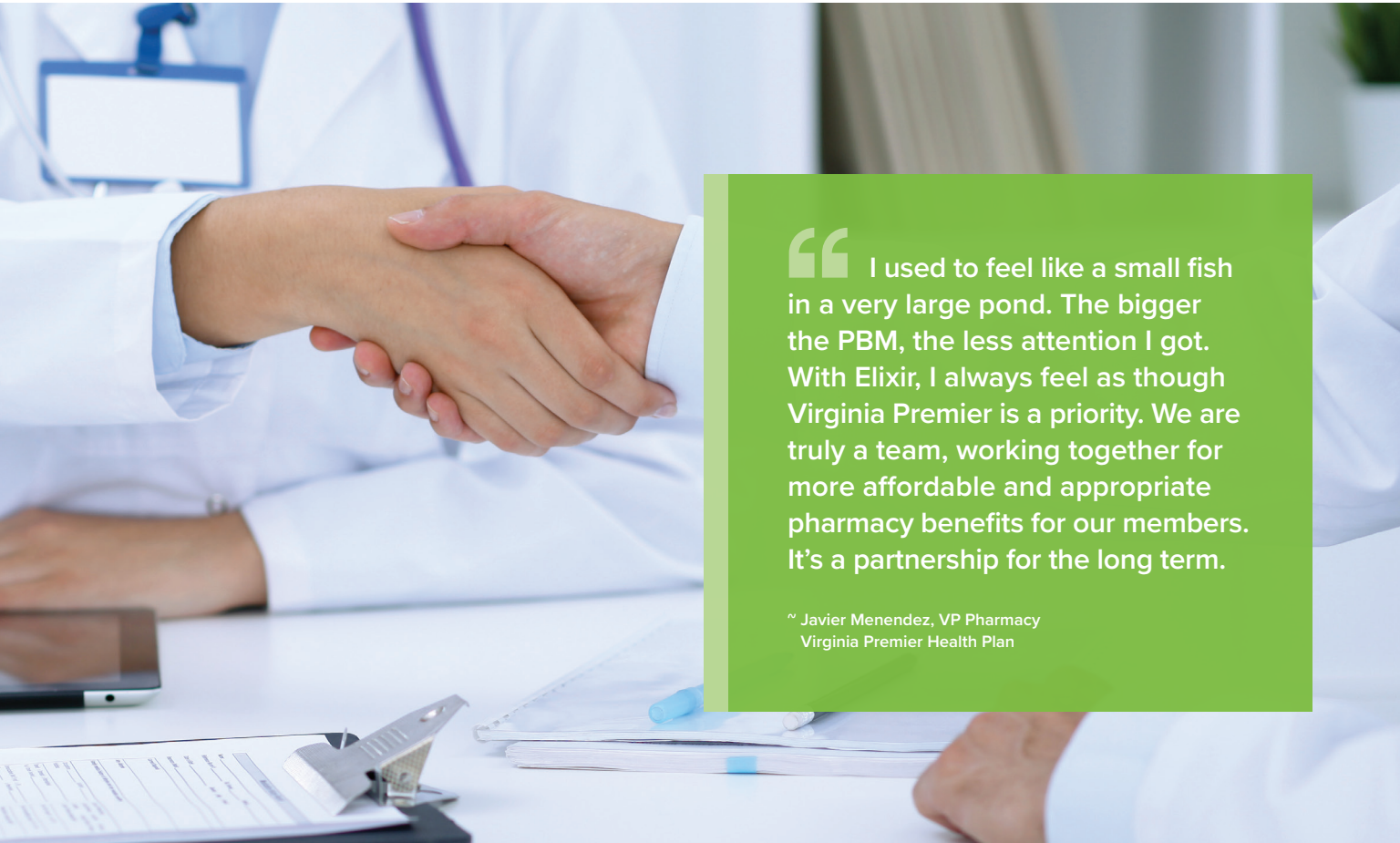
“It was an amazing feeling to report that our plan was compliant and actively addressing this emergency issue, while many of the big-name health plans were struggling to implement the requirements,” beamed Javier. “More than anything, I knew that our members were receiving the benefit of this change. I couldn’t ask for a more impressive display of responsiveness from my PBM team.”

**A Transparent PBM-Health Plan Relationship  
Delivers the Best Outcomes**

The VPHP story reveals the true value of PBM services. It’s not a purely financial equation, but one that illustrates how the partnership between a health plan and the PBM can deliver the right drugs to the right people at the right time—and of course, at the right price. The value of the PBM relationship is more than just paying for prescription drugs. It’s the overall services, operational transparency, and sense of partnership that reduces overall healthcare costs in the long term and as a result, delivers healthier outcomes.

For Javier and VPHP, the relationship with Elixir since 2012 has become what the PBM-health plan relationship should be. A partnership.

“I used to feel like a small fish in a very large pond,” Javier said. “The bigger the PBM, the less attention I got. With Elixir, I always feel as though Virginia Premier is a priority. We are truly a team, working together for more affordable and appropriate pharmacy benefits for our members. It’s a partnership for the long term.”



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