Six Tips to Avoid Costly PBM RFP Pitfalls: A Step-by-Step Guide for Employers
The Current Pharmacy Benefit Climate

When it comes to pharmacy benefits, plan sponsors face a future of opportunity and uncertainty. National healthcare passed and is rapidly being interpreted and implemented. The economy is slowly trying to build momentum. Amidst these conditions, pharmacy benefit plan costs keep inching up. However, the impact of specialty drugs (which cost 10 to 15 times more than traditional meds) is more pressing. Include the fact these are estimated to grow from 15 percent to 44 percent of your total pharmacy plan spend in the next few years, and the idea of finding and implementing cost efficiencies for your plan becomes critical.

These events may have you asking some tough questions, such as:

"How can we save money on our pharmacy benefits?"

"How can we preserve the quality of benefits for our employees?"

To help you explore these questions and gain a deeper understanding of the entire Pharmacy Benefit Manager (PBM) Request for Proposal (RFP) process, we’ve assembled these step-by-step tips to help you avoid costly contracting mistakes.
Stage One: Before the RFP

Tip 1: Timing is everything

Before you start writing a PBM RFP, you must plan carefully. Think about all the steps you need to accomplish, and then work backwards to determine the timeline for your RFP. Remember to leave plenty of time for valuation, clarification and negotiation of final offers. Plus, allow 60 to 120 days for plan implementation if you change PBMs. Even if you don’t change your PBM, you can expect 60 to 90 days for contract negotiations and new pricing implementation.

To get the timing right, consider your goals. Are you seriously searching for a different vendor? Will you be conducting finalist site visits? Your goals for the RFP will affect the project timeline, and if you rush the RFP process, you put those goals in jeopardy.

Adequate time assures the best results

Think about all the steps you need to accomplish, and work backwards to determine timeline.
Stage One: Before the RFP

Tip 2: Define your motivations

The next step is to clearly define your motivations for issuing an RFP. Consider what your current PBM does well and what could be done better. If there are things you dislike, use your RFP to either find a new PBM that meets your needs or require your incumbent PBM to improve.

This is also a good time to determine if any legal requirements—such as Patient Protection and Affordable Care Act of 2010 (PPACA) regulations—must be met. You’ll want to consider solutions that can ensure compliance.

Determine your needs before you start an RFP
Stage One: Before the RFP

Tip 3: Tailor your vendor list

There are more than 40 PBMs from which to choose, yet only a few of those will meet your unique pharmacy plan strategies.

When organizations invite too many PBMs to bid, the PBMs are less likely to spend time putting together competitive proposals. The best results are achieved by limiting your vendor list to five or fewer PBMs.

Limiting your vendor list results in more competitive proposals.
Stage Two: Writing the RFP

Tip 4: Get detailed

The more detail you include in your RFP, the better your results. First, identify what you don’t like about your current PBM performance. Next, assess what you would like to have in your contract and discuss where you’d like to see your plan in two to three years. Then, incorporate the new solution to help you achieve those goals.

Remember, once you’ve signed a PBM contract, it’s nearly impossible to make changes; it’s essential to get the details right during the RFP process.

It’s also critical that you spell out every detail of your PBM requirements in your RFP. Without strict and consistent definitions, each PBM will apply its interpretation to the contract terms. This makes a quantitative ‘apples-to-apples’ comparison of proposals virtually impossible because each PBM speaks its own language.

Make sure the PBMs bidding on your RFP have plenty of detail, too. Provide them with comprehensive claims information so they can perform in-depth modeling. This means they’ll use fewer generalizations, which lowers your risk margin and helps reduce costs.
Stage Three: Evaluating PBM Responses

Tip 5: Time to analyze

Your review process should include both a qualitative and quantitative analysis. In your qualitative analysis, consider how closely the PBM’s customer service, pharmacy networks, etc., meet your goals. Look at the differentiation between the PBMs and determine how each fits with your organization’s culture. Then, decide how to incorporate these factors into your decision-making process. This may be as complex as a formal scoring formula or as simple as a group discussion.

A thorough quantitative analysis looks beneath the surface of the proposals to uncover the true plan costs. Effective quantitative reviews require analysis of claims-level information. Don't make the mistake of relying on PBM-reported rates to set your baseline. Claims information should be used for drug-specific modeling, including specialty drugs, which represent a swiftly growing portion of your drug purchasing costs.

During the quantitative analysis, it’s critical to examine the definitions and fine print carefully. A deal that looks great at first may have loopholes that significantly reduce your savings. Consider the example below. Which of these deals is better?

<table>
<thead>
<tr>
<th>PBM A</th>
<th>PBM B</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Offers rebate of $16 per brand claim</td>
<td>• Offers rebate of $12 per brand claim</td>
</tr>
<tr>
<td>• Pays rebates on brand claims for which the PBM receives a rebate</td>
<td>• Pays rebates on all brand claims</td>
</tr>
</tbody>
</table>

This is just one of many cases where the proposal that looks better at first glance could end up costing you more down the road. **PBM A** offers a higher rebate, but only pays rebates on drugs for which it receives a rebate. **PBM B** pays a rebate on all brand claims, making it significantly better than **PBM A**.

Look deeper into the details for true cost savings
Final Stage: Awarding the Business

Tip 6: Confirm major contract points in writing

Avoid leaving loose ends in the RFP process—they can lead to unexpected cost increases in contracting. To prevent contract service and price concessions, ask your chosen PBM to confirm all major points in writing before the award of business. You may even decide to negotiate a full contract prior to the award of business.

It’s important to follow up with the PBMs who didn’t win your business, as well. Send a letter or call each PBM and explain the reasons for your decision. You’ll probably want to issue another RFP in a few years, and this debriefing session will help PBMs be better prepared should they bid again in the future.

Get all the major points in writing first to avoid confusion later
Conclusion: RFPs that Follow this Process Mitigate Risk

Conventional wisdom might lead you to run an RFP for pharmacy benefits to just get a competitive price. But it’s much more than that. A well-orchestrated and thoroughly planned PBM RFP process helps deliver a contract that mitigates risk.

Because The Burchfield Group conducts and analyzes dozens upon dozens of RFPs each year, we can provide a unique perspective on all the aspects of the PBM RFP process that can be highly beneficial to you.

What we do

At The Burchfield Group, our focus is pharmacy benefit consulting, regulatory and Medicare compliance, auditing and data validation. We help plan sponsors evaluate and select PBM vendors, design pharmacy benefit plans, monitor plan and PBM performance and audit results. Our expert staff offers significant PBM industry knowledge. Clients include Fortune 500 companies, Taft Hartley funds, health plans, brokers and third party administrators.

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