



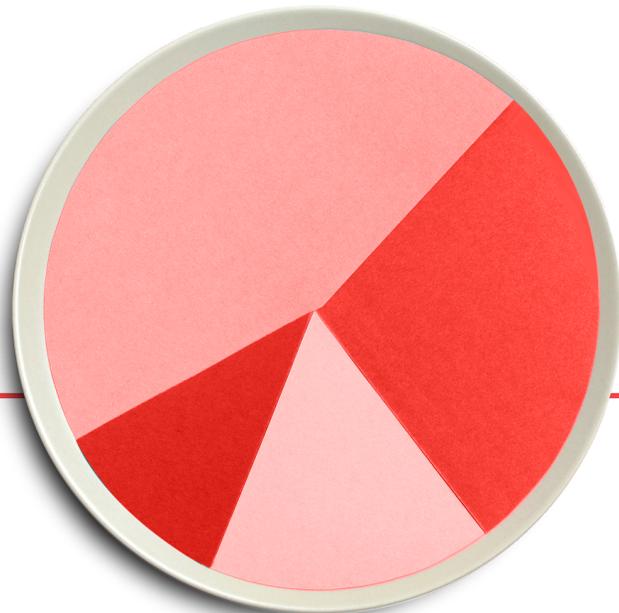
Wagstaff, Inc. Partners with Industry's First PBO to Reduce Pharmacy Spend 37.4% by Carving-Out Benefits

The Challenge

Wagstaff Inc., a 500-employee manufacturing company in Spokane Valley, Wash., was managing the typical unsustainable pharmacy spend like other employers. That year alone, the company spent \$957K on prescription drugs. Changes were needed to put the benefit plan on a more affordable spend trajectory.

Their prescription drug benefit was being managed in a bundled contract with the medical benefit by Premera Blue Cross. This carved-in arrangement limited the company's ability to know how much it was spending on pharmacy versus medical claims. Wagstaff leadership also lacked flexibility in being able to change their prescription drug benefit plan design to address the needs of their employees and manage the appropriate use of high-cost brand and specialty medications.

\$957K
Annual Pharmacy Spend



The Solution

For the 2019-2020 plan year, Wagstaff decided to separate the management of their pharmacy benefit by carving-out from the medical plan. The process was challenging for Wagstaff leadership, who faced extensive hurdles from Premera Blue Cross. In a 2020 article, *Bloomberg News* detailed Wagstaff's experience and the extent that some insurers go to keep their clients from unbundling their benefit arrangements.¹

Eventually, Wagstaff decided to switch their health plan administrator to UnitedHealthcare, which opened the door for them to carve-out pharmacy benefits more easily. Wagstaff selected RxBenefits, an independent pharmacy benefits optimizer (PBO), to manage their prescription drug benefit going forward. RxBenefits used a data-driven analysis to identify areas of waste and solutions to reduce Wagstaff's unnecessary benefit plan costs. Working in partnership with Wagstaff leadership, RxBenefits implemented tailored strategies for lowering the high pharmacy costs that had been plaguing Wagstaff.

Carved-Out Pharmacy Contract: Under Wagstaff's new carved-out pharmacy arrangement with RxBenefits, they now had greater insight into the pricing and contract terms governing the plan. They were able to negotiate competitive pricing and rebate terms for high-cost brand and specialty drugs and had the flexibility to change the plan design to align with those terms.

Based on an initial analysis of the contract and pharmacy claim file, RxBenefits projected Wagstaff would see a \$203K, or 21%, reduction in pharmacy spend just by switching to RxBenefits, from \$957K to \$754K.

Independent Clinical Oversight on Specialty Drugs: A clinical review of Wagstaff's claims uncovered a new cancer diagnosis and several other new utilizers driving higher utilization of high-cost specialty drugs. RxBenefits began conducting independent clinical reviews of specialty drug claims to ensure appropriate dosing and confirm the necessity of the medications following FDA-approved prescribing guidelines. The plan also began utilizing available Manufacturer Copay Assistance Program funds for eligible specialty medications to lower the plan and member costs.

Independent Clinical Reviews of Non-Specialty Drugs: RxBenefits implemented High Dollar Claim Review (HDCR) to guard against unnecessary spending on high-cost brand medications. HDCR used a clinical review process, similar to the specialty drug reviews, to provide umbrella protection for Wagstaff and its members.

Formulary Optimization: Wagstaff worked with RxBenefits to optimize the formulary by removing Low Clinical Value (LCV) medications. When compared to alternatives on the market, LCV medications have higher costs with no added clinical value. By redirecting any impacted members to clinically equivalent, lower cost alternatives, the plan eliminated unnecessary spending on LCV drugs.

Overall Optimization Results

By working with a PBO, Wagstaff leaders were able to rectify their pharmacy risk areas before costs spiraled out of control. Carving-out the pharmacy benefits delivered a significant opportunity to find lasting savings opportunities and create a more affordable benefit. Through a meticulous analysis of the pharmacy benefits contract and prescription drug claims data, a tailored clinical utilization management strategy was set into motion. The two-pronged approach enabled Wagstaff to improve the clinical value of the benefit for employees while providing more economic value for the business. **For their 2020 plan year, Wagstaff ending up spending \$599K on pharmacy which was 20% lower than the amount initially anticipated.**

34.4% total contract savings (\$306K) by switching to a carved-out arrangement with RxBenefits, which is a 6.8% increase over the **27.6% savings** originally projected

\$4.55 average PMPM after implementing High Dollar Claim Review (HDCR)

\$0 PMPM spent on Low Clinical Value (LCV) medications for plan year 2019-2020

\$48K savings from the Manufacturer Copay Assistance Program



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1. <https://news.bloomberglaw.com/health-law-and-business/insurers-move-to-blunt-employers-use-of-alternate-drug-plans>

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