



LAURA RICH
Executive Officer

STEVE SISOLAK
Governor

STATE OF NEVADA
PUBLIC EMPLOYEES' BENEFITS PROGRAM
901 S. Stewart Street, Suite 1001 | Carson City, Nevada 89701
Telephone 775-684-7000 | 1-800-326-5496 | Fax 775-684-7028
www.pebp.state.nv.us

LAURA FREED
Board Chair

AGENDA ITEM

Action Item

Information Only

Date: July 29, 2021
Item Number: VI
Title: Northwest Prescription Drug Consortium

SUMMARY

This report will provide the Board, participants, public, and other stakeholders information on PEBP's option to join the Northwest Prescription Drug Consortium.

BACKGROUND

During the last several legislative sessions, the legislature has passed various legislation providing state agencies increasing authority to leverage their buying power by joining purchasing coalitions. For example, NRS 277.110 authorizes public agencies to exercise any power jointly with a public agency of any other state and NRS 333.435 specifically allows a state agency to join with governmental agencies of other states for the collaborative purchasing of prescription drugs. Senate Bill 396, which passed last session, expands this authority to include private entities.

PEBP's Pharmacy Benefit Manager contract with Express Scripts is due to expire on June 30, 2022. In addition to planning and preparation for a Request for Proposal (RFP) release, PEBP has also explored and analyzed the option of joining an established prescription drug purchasing group through the Northwest Prescription Drug Consortium.

REPORT

The Northwest Prescription Drug Consortium is a group created as part of an inter-state agreement between Oregon and Washington as a means to leverage purchasing power between

the two states. The consortium was formed to allow Oregon and Washington State agencies, local governments, businesses and labor organizations to pool their purchasing power to get better pricing on prescription drugs. It strives to achieve full transparency using fixed costs and a 100% pass through model. This ensures that participating programs pay exactly what a pharmacy is paid for a medication. This pricing model is beginning to be offered among the traditional PBM's, however it is not standard and not what PEBP's contract with ESI offers today. Instead, PEBP participates in the more common pricing model, which is where the payer (PEBP) is billed more than pharmacies and the PBM keeps the difference (this is referred to as the spread). Although PEBP receives aggregate data, this type of model lacks transparency because only aggregate pricing is typically provided. From a member perspective, the Consortium functions similarly to a traditional PBM model by offering retail and specialty pharmacy access, including all the typical customer service tools and amenities offered by other PBM's.

PEBP has completed an extensive analysis using actual claims data and has determined from a cost perspective that the Consortium option (in comparison to PEBP's current contract with ESI), is significantly more cost effective. However, it is extremely important to note that although PEBP has completed a general comparison of non-cost related factors (member tools, pharmacy network, cost containment programs, formulary options, reporting abilities, etc.), the comparison has not undergone the scrutiny that would be required in a typical RFP evaluation. It appears, based on discussions with the Consortium staff and vendors that the Consortium could conform to PEBP requirements quite easily but in-depth contractual discussions, which could uncover unforeseen challenges, have not occurred.

PEBP has several options on how it can proceed and ultimately contract:

1. Recognizing that existing statute allows PEBP to join the Consortium absent of a formal solicitation, PEBP can move forward with this option and elect to not proceed with a PBM solicitation.
2. PEBP continues course by releasing a formal solicitation for a PBM. The Consortium will only be considered if a proposal is submitted through the normal solicitation process.
3. PEBP continues course by releasing a formal solicitation for a PBM. Once a winning bidder is selected, the Board can then choose to compare the winning bid against the Consortium option. If the Consortium is selected, the RFP is cancelled and PEBP will contract directly with the Consortium. If not, PEBP will move forward with negotiations with the winning bidder.

Attachment A: Northwest Drug Consortium Presentation

Recommendation: Although a formal solicitation requires tremendous time and effort, it is in PEBP's best interest to release an RFP to ensure the program is able to consider all pricing and options the market is willing to offer.



Northwest Prescription Drug Consortium
Integrating Solutions for Best Value

Administered by **moda**
HEALTH

Nevada PEBP PBM Discussion
July 29, 2021

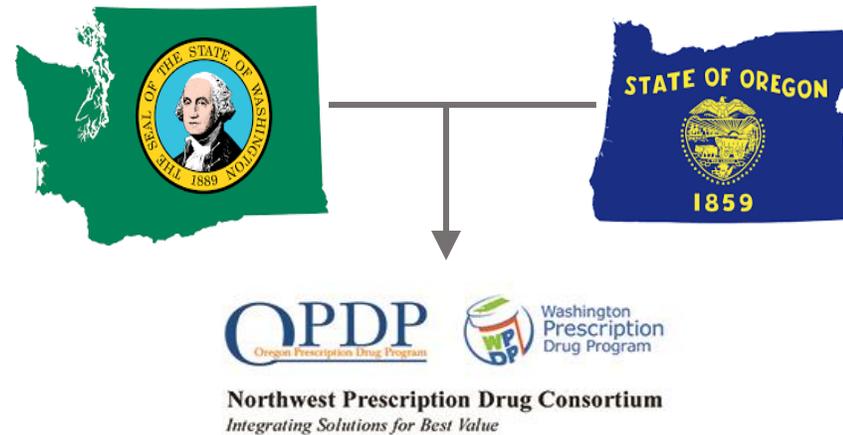
Agenda

- Introductions
- Northwest Prescription Drug Consortium Overview
- Pharmacy Benefit Manager Responsibilities
- Northwest Consortium PBM Services
- Public Sector Member States
- Q &A

Northwest Prescription Drug Consortium Overview

Northwest Prescription Drug Consortium

Created for States by States



- An inter-state agreement between the States of Oregon and Washington.
- Intended to meet the pharmacy needs for public entities where stewardship of tax dollars is our highest priority.
- Overseen by a team of experienced public officials with over 100 years of experience in pharmacy supply chain and pharmacy benefit management and contracting.
- Available to public sector entities and municipalities nationally.

Procurement Standards and Process

- Operating since 2006
- Regularly scheduled public procurements
- Procurement officer oversight
- State of Oregon Chief Procurement Officer engagement
- Oregon Department of Justice and Washington Office of the Attorney General oversight
- Statutory approval to conduct cooperative inter-state agreements

Program Services

Broad range of prescription drug cost and pharmacy solutions



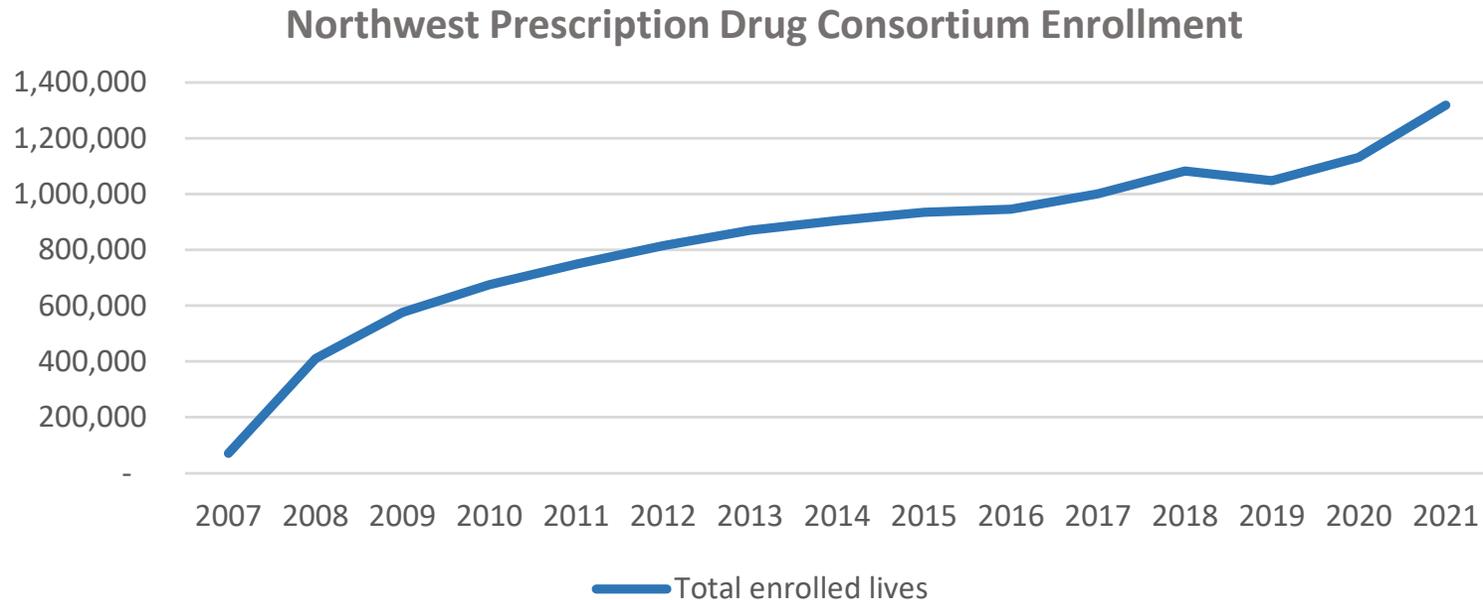
Range of Programs & Service Offerings

Oversight and governance focused on openness, transparency and auditability



Over a Decade of Sustained Growth

Almost 15 years of service and more than 1.3 million members served



Pharmacy Benefit Manager Responsibilities

Responsibilities of Pharmacy Benefit Managers (PBM)

A PBM :

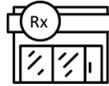
- Administers the prescription drug portion of a health plan/benefit
- Is the entity that negotiates drug prices with pharmacies and creates/administers drug formularies
- Is a middleman between the health plan and members, pharmacies and drug manufacturers for rebates



Process claims. Establish member eligibility and authorize claims submitted by pharmacies for payment.



Manage formularies. Administer pharmacy & therapeutic committee reviews to select drugs that will be covered by the pharmacy and medical benefit.



Create and administer networks of pharmacies. Ensure that members have broad access to retail pharmacies.



Ensure patient compliance. Administer programs to monitor and track that medications are taken as prescribed.



Operate mail order and specialty pharmacies. Responsible for having medications delivered directly to a patient's door.



Administer rebate programs. Negotiate rebates with manufacturers to leverage financial performance.

PBM Transparency

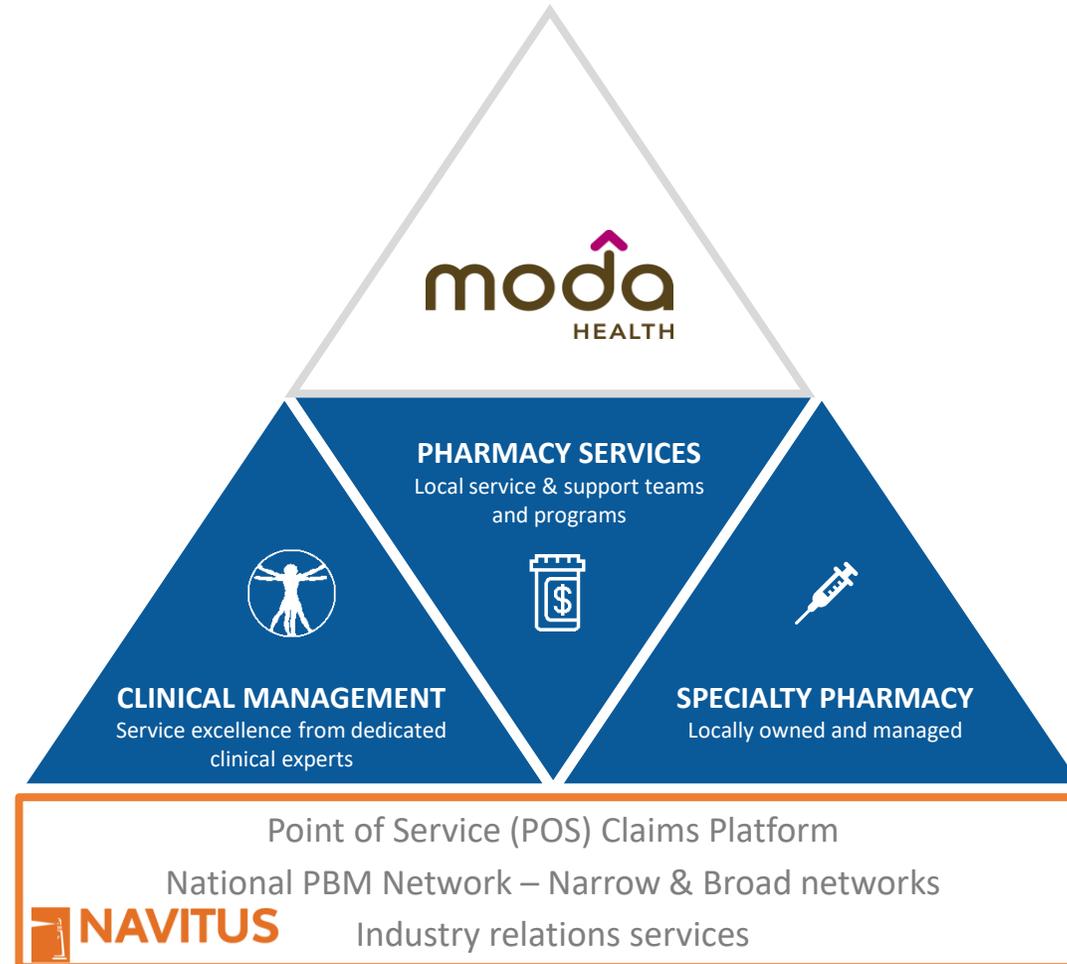
- Historically, PBMs have operated in the dark without a lot of visibility into how they charge for their services, and the money they make.
 - Services are usually offered with no administrative fees
 - Typically capture undisclosed spread pricing between what they charge health plans and what they pay pharmacies
 - Capture undisclosed revenue from manufacturers for products on their drug formularies (or have ways to limit discovery of this revenue)
 - Have very limited oversight or audit rights that they grant to payers

Northwest Consortium PBM Services

Northwest Consortium PBM Solution Elements

- Benefit administration
- Clinical management
- Network administration
- Rebate program administration
- Reporting
- Member services
- Administrative fees
- Optional services

Northwest Consortium PBM Services

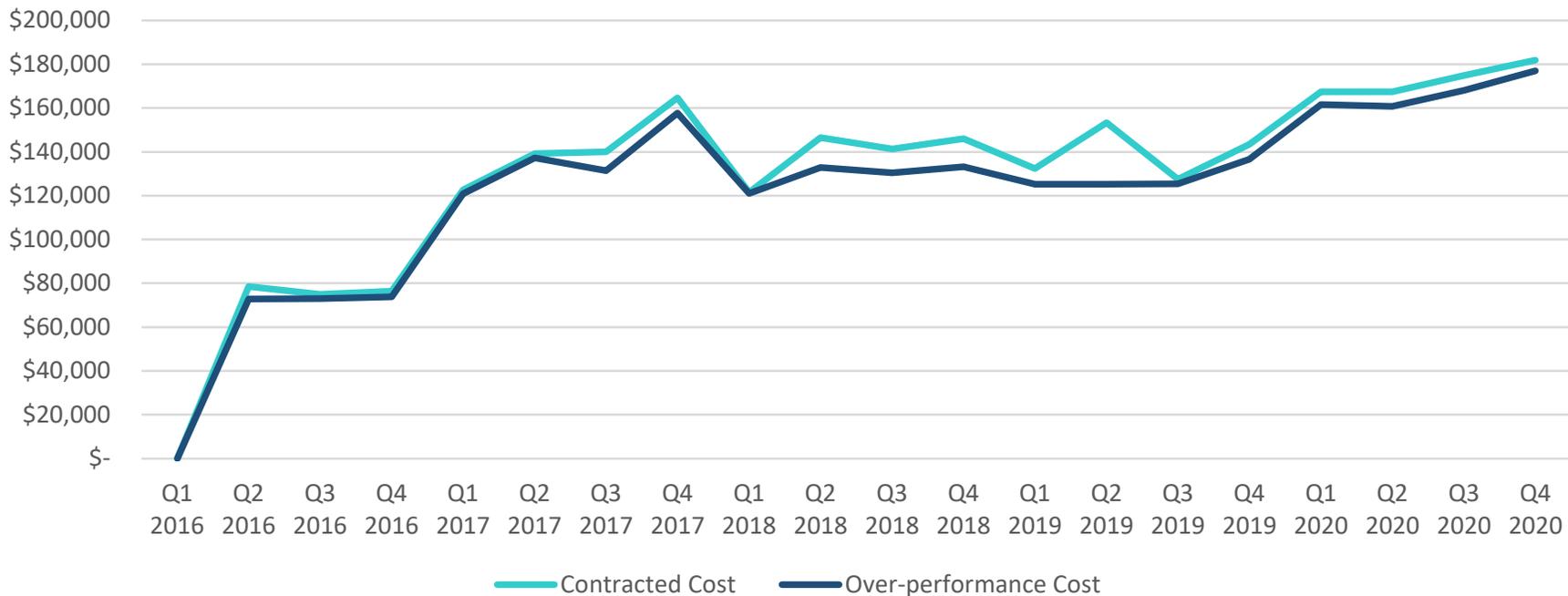


Northwest Consortium Operating Principles

- Built for public sector purchasers
- Comprehensive audit rights
- Fully transparent operations
- Pure pass-through pricing from pharmacies
- 100% pass-through of all manufacturer rebates and fee payments
- Predictability around administration fees (per Rx per paid claim or PMPM)
- Annual market checks
- Governance and oversight
- Highly customizable (formularies and clinical services)

Value of Pass-Through Over-Performance

Over \$135 million in additional savings on pharmacy benefits through network over-performance since 2016



Public Sector Member States

Northwest Consortium Member State Program

- Participation in scheduled governance and oversight reviews
- Participation in and voting rights on Consortium-sponsored initiatives
- Attendance in steering committee meetings
- Attendance at Consortium-sponsored events and meetings
- Access to Consortium reporting portal and de-identified reports

Summary

- Northwest Consortium – a pharmacy services purchasing alliance designed to work across states with public and private partners.
- Pursuing participation from other states to benefit from the programs and services we offer to public purchasers.
- Continue to evaluate and innovate to improve the pharmaceutical supply chain:
 - Fulfillment
 - Wholesaler distribution
 - Manufacturer

Q&A and Next Steps



Washington
Prescription
Drug Program

Northwest Prescription Drug Consortium

Integrating Solutions for Best Value

Administered by **moda**
HEALTH