
DRUG BENEFIT NEWS

In Their Own Words: GPS President Talks on ‘Unbundling’ PBM Services

The following interview is part of a new occasional DBN series that examines hot-button pharmacy benefit issues through the words of the industry’s thought leaders. To suggest a topic and commentator, contact Neal Learner at nlearner@aispub.com.

James Baxter is president of Global Pharmaceutical Solutions, a St. Louis-based pharmacy benefit consulting firm. He has managed the benefit programs of large, national corporate plan sponsors, managed care organizations, associations, Taft-Hartley plans and other organizations. *DBN* caught up with Baxter to get his thoughts on what he asserts are the advantages of “unbundling” pharmacy benefit services.

***DBN:* Describe the current status of bundled PBM services — is it still the most common form of pharmacy benefit administration?**

Baxter: Without question, the PBM full-service bundle is the predominant arrangement in the market today. This standard bundle of services looks pretty much the same from plan sponsor to plan sponsor — unless a plan sponsor takes specific actions to modify the bundle to better suit its needs. For example, it is not uncommon for a plan sponsor to unbundle mail-order or specialty pharmacies.

Health care-related organizations like health systems, health plans and managed care organizations often possess internal resources that render portions of the standard PBM bundle extraneous. Examples of such resources include internally owned outpatient pharmacies, clinical resources, customer-service centers and contracts with manufacturers. When these organizations choose to deploy their own resources in the administration of their pharmacy benefits, they do not require a fully bundled PBM arrangement.

***DBN:* What, in your view, are the benefits of unbundling these services, and what can Rx payers expect to save by going this route?**

Baxter: We see several potential advantages to unbundling PBM service components. First, unbundling affords the plan sponsor the opportunity to gain greater control of specific aspects of their program. For example, some plan sponsors are focusing greater attention on specialty pharmacy, the fastest-growing segment of pharmacy plan costs. By contracting with a

niche firm that offers aggressive pricing of these expensive biotech and injectable medications — and can effectively manage patient care and compliance, the plan sponsor is able to exert greater control over managing this component of the pharmacy service arrangement — and develop an effective strategy for integrating coverage of pharmaceutical products provided under both the medical and pharmacy segments of the overall health benefit programs.

The quality of certain administrative functions can also be improved by unbundling services. For example, if a PBM’s customer-service unit is unable to provide access to “live” representatives 24/7, or is experiencing a high rate of turnover in staff, or is inadequately staffed and/or trained or lacking the required technology to properly track and monitor calls, the result will likely be poor service quality. By unbundling this function and assigning it to a professional firm that specializes in customer-service support, the plan sponsor could substantially improve quality by reducing the “noise level” being generated as a result of unresolved calls causing member dissatisfaction with the program.

Unbundling can lead to immediate cost improvement as well. Consider mail order. Rather than simply accepting the PBM’s standard mail-order offering, a plan sponsor can tap into the increasingly competitive environment of niche mail-order firms, an area where numerous alternative firms and approaches exist, such as acquisition-cost models that can be compared to both traditional and other alternative pricing models for the best service and contract-pricing arrangement to the plan sponsor.

It has been our experience that, on balance, the unbundled-service model can offer exceptional opportunity and value for many plan sponsors. The ultimate savings to be derived from unbundling varies greatly, depending upon which and how many component pieces of the bundle are modified.

***DBN:* What are some of the disadvantages or challenges of unbundling pharmacy services?**

Baxter: There are challenges, but usually they are relatively easy to overcome. First, if a plan sponsor’s contract with a PBM includes provisions that limit or

prohibit unbundling, such provisions need to be renegotiated in order to move forward with the unbundling process. As a result, it is incumbent for the plan sponsor to fully understand its contract provisions, as well as the steps that need to be taken to negotiate alternative language.

Also, since the unbundling process can affect the PBM's total revenue from the plan sponsor, the PBM may request modifications to overall contract pricing. Therefore, it is important to perform a thorough evaluation of all financial considerations and potential disruption issues to ensure favorable outcome results from unbundling. Finally, it is important that the new service components are implemented correctly and monitored regularly to make sure all program components are seamlessly integrated and perform in accordance with expectations.

DBN: Where do you see this going? Are more sponsors and health plans adopting this approach?

Baxter: We continue to see a growing interest in unbundling across all market segments. Health plans, health systems and managed care organizations are very interested in exploring opportunities to eliminate extraneous functions and costs from the standard PBM service bundle and in-source various administrative functions they can deliver in a more efficient and cost-effective manner. Other plan sponsors are following in the footsteps of the health care-related organizations, as they consider unbundling as a potential opportunity to improve service and reduce costs.

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