

---

# **Will PBMs Participate in the New Medicare Prescription Drug Program, and If So, How?**

---

**Michael H. Deskin**

**Pharmacy Benefit Management Institute, Inc.**

**February 27, 2004**



# Will PBMs Participate?

---

YES!

# Role for PBMs

---

- Immediate Opportunity: Drug discount card program
- 2006 and Beyond: Medicare drug benefit

# PBMs Submitted Applications

---

- 106 companies applied
  - PBMs directly
  - PBMs indirectly
  - PBMs in partnership

# PBMs Are Qualified To Deliver

---

- CMS objectives are consistent with PBMs' mission
- Card program responsibilities
  - Discounts on prescriptions
  - Retail pharmacy access
  - Drug interaction monitoring
  - Customer service
  - Education

# PBM Opportunities

---

- One of the largest populations without drug coverage
- This population has one of highest utilization rates
- Gain market share with discount card for better positioning in 2006 and beyond

# PBM Opportunities

---

- Mail service pharmacy for maintenance drug use
- High percentage of drugs used by Medicare population are rebateable



# Quantifying the Opportunity

---

- U.S. government will spend \$1.8 trillion on prescription drugs in next 10 years.

--Medco Health Solutions projection reported in Feb. 6, 2004 edition of *New York Times*

# Quantifying the Opportunity

---

- Kevin Berg, Credit Suisse First Boston:
    - 10 million uninsured Medicare enrollees
    - 90% of the 6 million Medigap users are without drug coverage
    - Utilization: 20 prescriptions per year
    - Estimated minimum EBITDA \$0.50 per script
- CSFB Section Review*, 11/13/03

# The Arizona Drug Card Experience

---

- Similar to the Medicare discount card but different
- Drug discount card created by executive order
- One administrator selected by competitive bid
- No existing relationship between the administrator and the prospective members

# The Arizona Drug Card Experience

---

- Target population  $\approx$  500,000
- \$9.95 annual fee for voluntary enrollment
- Plan design
  - All legend drugs included in program
  - OTC, lifestyle and injectables (all but insulin) excluded
  - No formulary
- No cost to state

# The Arizona Drug Card Experience

---

- Program Enrollees  $\approx$  15,000
- Utilizing card holders  $\approx$  5,250 per month
- From 1.5 to 2.0 Rx per card holder per month
- Utilization per utilizer increasing each month
- Total of 83,000 prescriptions filled

# The Arizona Drug Card Experience

---

- New program, Copper Rx, started January 1
- Cards mailed to all eligibles, 1.1 million people
- No enrollment fee for 2004
  - Pro-rated refund to those who paid 2003 fee
- Copper Rx will co-exist with Medicare drug card

# Immediate Challenges

---

- Heavy competition for enrollees
  - Marketing to consumers costly
  - Beneficiary confusion imminent
- Working within CMS guidelines is a new business model for many program sponsors
- Aggressive timeline for implementation
- Competing head to head against customers and prospective customers

# Longer Term Challenges

---

- Delivering prescription discounts over time
- Sustaining Medicare beneficiary satisfaction
- Complying with CMS requirements