



Photo credit: Gerald Blank

Steps Necessary for State to Become its Own Pharmacy Benefit Manager

Interim Health Care Committee – June 16, 2022
Brendan Joyce, PharmD

Pharmacy Benefit Manager (PBM)

- Processes pharmacy claims for an employer or group
- Negotiates payment rates with providers
- Negotiates rebate agreements with manufacturers



ND Medicaid

- Pharmacy claim processing system is part of MMIS (Medicaid Management Information System)
- All providers are paid the same rate as listed in approved state plan with CMS (Centers for Medicare and Medicaid Services)
- All manufacturers required to sign federal rebate agreements with CMS
- ND is part of SSSDC (Sovereign States Drug Consortium) for negotiation of supplemental rebates

- All rebates (federal and supplemental) are only allowed for Medicaid

Recent Medicaid Solutions for PBM Issues

- Carve pharmacy out of managed care organization (MCO) contracts (e.g. WI, WV, ND)
- Move to a single PBM contracted through the state for all MCOs to use (e.g. OH, KY)
- Strengthen contracts with MCOs to account for known issues
 - Difficult as state's contract is with MCO, not PBM

CAN ND MEDICAID'S RX CLAIM SYSTEM SERVE AS A STATE PBM

- Current system is within a federally certified MMIS, which comes with some limitations to system design
- Current system does process some non-Medicaid claims (county jails, AIDS Drug Assistance Program)
 - These are limited programs with obvious ND citizenship and residency
- CMS has strict provider enrollment requirements

CHANGES REQUIRED

- Changes to eligibility systems to allow new eligibility rosters (and associated file exchanges)
- Changes to provider enrollment to account for national provider network requirements
- Changes for benefit design as all current claims are paid 100% with no copays or coinsurance
- Would need to contract for Pharmacy & Therapeutics committee for formulary design
- Would need to contract for a rebate aggregator

CONCLUSION

- DHS does not recommend using ND Medicaid's pharmacy claim processing system as a solution for a state run PBM

WHAT CAN BE DONE

- Contract for Rx benefits separately
 - Industry tends to increase non-Rx benefit cost 14-17% when this is done
- ND population not generally large enough to remain independent
- Explore multi-state consortiums (see Attachments)

QUESTIONS

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ArrayRx Overview - Speaker's Notes

Slide 1: None

Slide 2: As an organization that was established by states to assist public purchasers of prescription medications, the mission of ArrayRx is to provide high-value pharmacy solutions for the programs required by public sector purchasers of prescription drugs where transparency and stewardship of tax dollars is the highest priority. This mission is fundamental to ArrayRx's core beliefs and the value that is delivered to member organizations.

Slide 3: Given the scrutiny on prescription drug costs and the well-publicized issues related to lack of visibility of pharmacy benefit managers' business practices, ArrayRx's vision is that it will be the most trusted pharmacy solutions provider in the industry. All elements of ArrayRx solutions are focused on ensuring that services are executed with this vision as its guide.

Slide 4: ArrayRx is a collaboration of state partners that was created with one common goal: to create pharmacy solutions that are accessible to the people in our communities.

ArrayRx is the result of a commitment by the states of Oregon and Washington to collaborate to provide solutions to organizations grappling with increasing costs for prescription drugs and the lack of transparency in the pharmaceutical supply chain.

The history of ArrayRx:

- **2003 - 2005** – Oregon Prescription Drug Program (OPDP) and Washington Prescription Drug Program (WPDP) were established through separate legislative efforts.
- **2006** – The NW Prescription Drug Consortium was founded when OPDP and WPDP signed an inter-governmental agreement to pool their prescription drug purchasing to lower drug costs. The Consortium's goal is to deliver prescription savings programs to meet the pharmacy needs for public entities where transparency and stewardship of tax dollars is the highest priority.
- **2007** – Moda Health (a comprehensive service provider of medical, dental and pharmacy benefit plans, business solutions, insurance products, and administrative services for self-insured plans headquartered in Portland, Oregon) was selected through competitive procurement to be the administrator for the Consortium. Moda has been retained as the administrator through 3 subsequent competitive procurements, the most recent of which was completed in 2020.
- **2007 - 2017** – Consortium delivers pharmacy programs and services to public sector market.
 - Prescription Discount Cards
 - Pharmacy Benefit Management
 - Workers Comp
 - ASO Rebate programs

ArrayRx Overview - Speaker's Notes

- Voucher services
- FFS Clinical Services
- Managed Medicaid
- **2022** – NW Prescription Drug Program is renamed and rebranded to ArrayRx. One name to unify Oregon and Washington prescription drug programs, and all participating programs. Steering Committee expands its mission to offer ArrayRx services to states and municipalities nationwide. Website links. ArrayRxSolutions.com and ArrayRxCard.com.
- **2022** – Nevada becomes the first state to join ArrayRx. Today, ArrayRx provides services for 1.2 million individuals enrolled in ArrayRx programs.

Other notes:

- ArrayRx is a pharmacy services purchasing collaboration designed to work across states with public and private partners.
- It is open to local government, private sector business, labor organizations, and individuals.
- Participating programs, no matter what their size, benefit equally from the savings the Consortium delivers.

Slide 5: ArrayRx is overseen by a Steering Committee that is exclusively comprised of public officials who together have over 100 years of aggregated experience in various sectors of pharmacy benefit management and contracting.

ArrayRx is administered by a public entity where using public funds to achieve the best value is critical. Like many states, ArrayRx holds its contractors to high standards and works to deliver the highest possible value for its public partners and participating programs. ArrayRx is active in the oversight of ArrayRx programs and performance and is responsible for the proper governance of its programs to ensure appropriate performance and outcomes of ArrayRx programs.

The ArrayRx statutory authority encourages interstate collaboration and synergy in pharmacy purchasing. The Steering Committee strongly believes that by collaborating with other state and public entities, public programs can more effectively administer the programs, services, customization, and flexibility required to meet unique public program needs.

ArrayRx is actively soliciting participation from other states to join as Member States of the ArrayRx Steering Committee.

Slide 6: Since 2006 ArrayRx has utilized the Oregon State contract & procurement process and standards to regularly and appropriately seek proposals from the open market.

Our current contract with Moda, beginning January 1, 2022, is for 5 years and renewable up to 10 years.

ArrayRx Overview - Speaker's Notes

WA and OR states oversaw ArrayRx's procurement and subsequent contracting, with ratification performed by each state's Department of Justice. These practices establish a high bar for procurement standards, which should put any participating program at ease.

ArrayRx exercises governance over the services that are provided by our contract administrator.

Slide 7: ArrayRx services are highly customizable. Participating Programs can choose what services they want to use and only pay for those services.

We offer true transparency in PBM Services by offering pass-through pricing. Participating Programs in the ArrayRx program pay exactly what the pharmacy is paid for the drug.

The ArrayRx discount card provides a state-backed prescription drug discount card to residents in a state. The ArrayRx Card allows underserved or uninsured individuals to realize savings on their prescription medications at discounts available to large state purchasers.

The Voucher program ensures that individuals within public facilities have access to the medications they need urgently or upon discharge. This program is ideal for departments of correction, county jails, state hospitals, county clinics and other similar organizations.

For organizations that require access to improved rebate options, ArrayRx offers an ASO pharmaceutical rebate management service where participating programs can take advantage of the rebate agreements that ArrayRx participates in to deliver better value and lower costs.

ArrayRx is expanding its Medicaid programs beyond managed Medicaid pharmacy benefit administration services to include clinical program, supplemental rebates and other Medicaid solutions that are critical to state Medicaid agencies.

Finally, as we continue to expand our services to other areas of the pharmaceutical supply chain, ArrayRx will soon be offering GPO services for state facilities through a partnership with Minnesota's MMCAP Infuse.

Slide 8: The Array Rx Steering Committee oversees the services and programs in the boxes in the top row (teal shaded boxes). The surrounding white text are the key functions and operational elements of our programs that are fundamental guideposts to our operations and are key tenets of what we do. We are continually working on methods to improve and expand ArrayRx services to deliver better values to states and participating programs.

Transparency has been one of our values from the start.

Typically, payers are billed more than pharmacies are paid and the billing party (usually a PBM) keeps the difference (the "spread"), which can increase costs for Participating Programs and members.

ArrayRx Overview - Speaker's Notes

100% of manufacturer rebates are passed through to the participating programs. Neither ArrayRx nor our administrator/subcontractors keep any portion of rebates paid by manufacturers.

We have a national independent third-party consultant conduct annual market checks of network rates to ensure we are competitive in the market. There are contractual requirements in place that trigger pricing negotiations if the market check shows better pricing by competitors.

Slide 9: Moda administers the pharmacy benefit management, or PBM, services.

Services include: Member services: such as customer help desk, online member tools, explanation of benefits, access to support materials; and all clinical program management (Pharmacy and Therapeutics Committee, formulary management, utilization controls, prior authorization and other clinical services); and specialty pharmacy fulfillment.

Moda contracts with Navitus Health Solutions, who provides the claims processing platform; administers the network pharmacy contracts; and provides rebate administration with manufacturers.

Together they offer flexible, responsive and configurable PBM programs for the 1.2 million individuals enrolled in ArrayRx programs.

Slide 10: ArrayRx seeks to improve the quality of pharmacy benefit service delivery and lead the way in expanding affordable access to prescription drugs. To support these goals, the bullets above represent e fundamental operating principals for the programs it administers.

As with all initiatives of ArrayRx, we are committed to ensuring that the pharmacy programs we administer include new, innovative, and appropriate strategies to combat rising prescription medication costs.

Slide 11: The success of ArrayRx programs for public sector clients is reflected in the sustained growth in the number of lives ArrayRx has kept under care over time. This slide shows the commitment that ArrayRx and our administrator, Moda, have made to grow and maintain participation in our programs.

These numbers represent enrollment in our funded pharmacy programs and do not represent lives enrolled in our ArrayRx Discount Card program. The discount card has served hundreds of thousands of Oregonians and Washingtonians since its inception.

Slide 12: The benefit of participating in an ArrayRx program is predictability, transparency and auditability – all critical to ensuring the wise use of limited taxpayer funds.

ArrayRx validates the transparency of its contracts with detailed performance reports that document the pass-through nature of its programs, as well as annual market assessments to ensure

ArrayRx Overview - Speaker's Notes

financial guarantees are not only being achieved, but that they remain market competitive.

In addition, ArrayRx programs include provisions that allow for audits of financial terms and performance on contractual guarantees, claim adjudication, and manufacturer rebates at reduced rates. These terms ensure that participating programs can be confident that ArrayRx continues to work on their behalf.

ArrayRx does not capture spread. Instead, services are delivered on a fixed fee basis. Two administration fee options are available: a fixed fee for each prescription claim that is paid, or a Per Member Per Month (PMPM) fee option. This makes it easy to understand, so Participating Programs can budget what they will pay to administer their pharmacy benefit.

Slide 13: Because ArrayRx programs are transparent and pass-through, every dollar of over performance against a financial guarantee passes through directly to the public payer at 100%.

This chart depicts what this has meant to programs that participate in ArrayRx.

The light blue line (top line) shows the contracted network price (financial guarantee) and the dark blue line (bottom line) shows the actual paid amount (the amount paid by participating programs). No spread is ever captured on pharmacy claims and manufacturer rebates. Plan sponsors always pay exactly what the pharmacies is paid for drugs.

The ArrayRx program is a multiyear agreement that includes contracted continual improvement of price discount guarantees over time. In addition, guarantees improve over time as the number of lives covered by ArrayRx has grown.

Since 2016 overperformance has yielded an additional \$142 million in additional savings to participating programs. Measurement period covers 1.2 million lives in Oregon and Washington (570,000 under the discount card, 600,000 under groups, 20,000 under facilities – such as state hospitals and corrections).

Slide 14: The Steering Committee of ArrayRx includes representatives from the states of Oregon, Washington, and recently, Nevada, which joined as a Member State this Spring.

ArrayRx provides services for a variety of public state and local entities as well as not profit entities. This chart represents the programs that participate in ArrayRx.

We will be adding programs for the State of Nevada that will be participating in ArrayRx in the future.

Slide 15: As mentioned earlier, ArrayRx's goal is to create pharmacy solutions that are accessible to the people in our communities.

This includes exploring options to enhance capacities and capabilities within the pharmaceutical supply chain.

ArrayRx Overview - Speaker's Notes

ArrayRx is exploring options to provide different fulfillment options, wholesaler options as well as the potential to manufacturer medications that are available as generic.

Slide 16: ArrayRx is available to any state or municipal entity in the U.S., U.S. commonwealth and territory. These organizations can participate as Participating Programs using an ArrayRx service, or as a Member State where they can participate as a voting member in ArrayRx Steering Committee meetings.

ArrayRx Steering Committee is comprised of founding Consortium members from Oregon and Washington. New states have a voting member elected to steering committee.

Slide 17: This is the Consortium Steering Committee.

ArrayRx is overseen by a Steering Committee that is exclusively comprised of public officials who are employed by the originating member states (Oregon and Washington) as well as one member from each member state.

Taken together, the Steering Committee has over 100 years of aggregated experience in various sectors of pharmacy benefit management and contracting. This experience provides the knowledge and proficiency necessary to provide direction and governance to ArrayRx programs.

Slide 18: Thank you.



Pharmacy solutions

May 2022

Mission

To provide high-value pharmacy solutions overseen and administered by states' public sector purchasers of prescription drugs where transparency and stewardship of tax dollars is the highest priority.

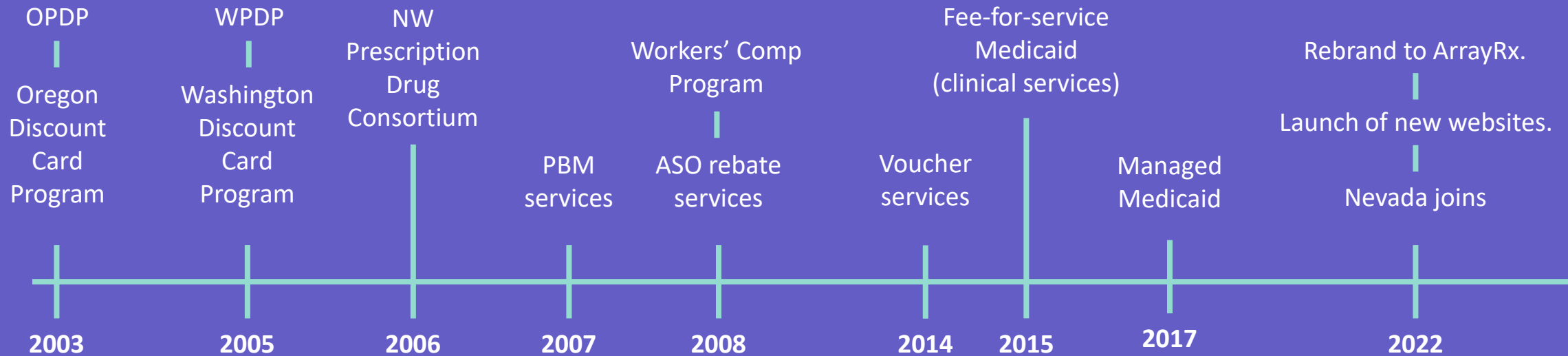
Vision

To be the most trusted pharmacy solutions provider in the industry.

Created for states, by states



Northwest Prescription Drug Consortium
Integrating Solutions for Best Value



Expertise and expansion

- Overseen by a team of experienced public officials
- Expertise in pharmacy supply chain and pharmacy benefit management and contracting
- Expanding to public sector entities and municipalities nationally



Procurement standards and process

- 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
- Exercise governance over services that are provided

Program services



**PBM
Services**

**Discount
Card**

**Voucher
Programs**

**ASO Rebate
Services**

**Medicaid
Programs**

Oversight and governance focused on transparency, auditability and collaboration



True pass-through program pricing

Custom formulary & clinical services

Fixed administration fee

Industry relations & rebates

Annual market checks

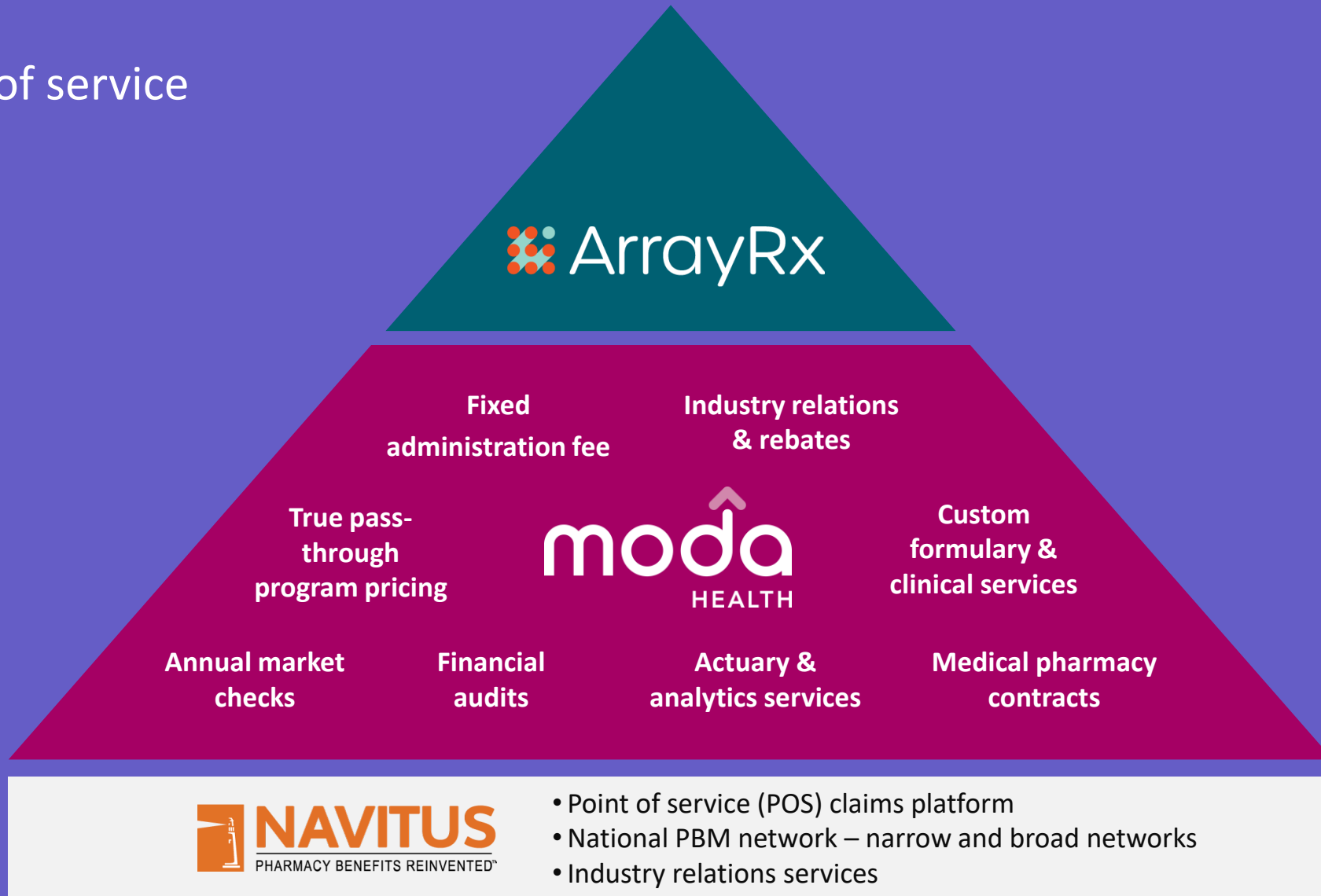
Medical pharmacy contracts

Financial audits

Actuary & analytics services

PBM Services	Discount Card	Voucher Programs	ASO Rebate Services	Medicaid Programs
Group Rx Benefits	State-Sponsored Discount Cards	Corrections	Group Rx Benefits	Managed Medicaid
Workers' Comp		State Hospitals	Workers' Comp	Fee-for-Service Medicaid
		County Health Departments	Medicaid Programs	

Delivery of service

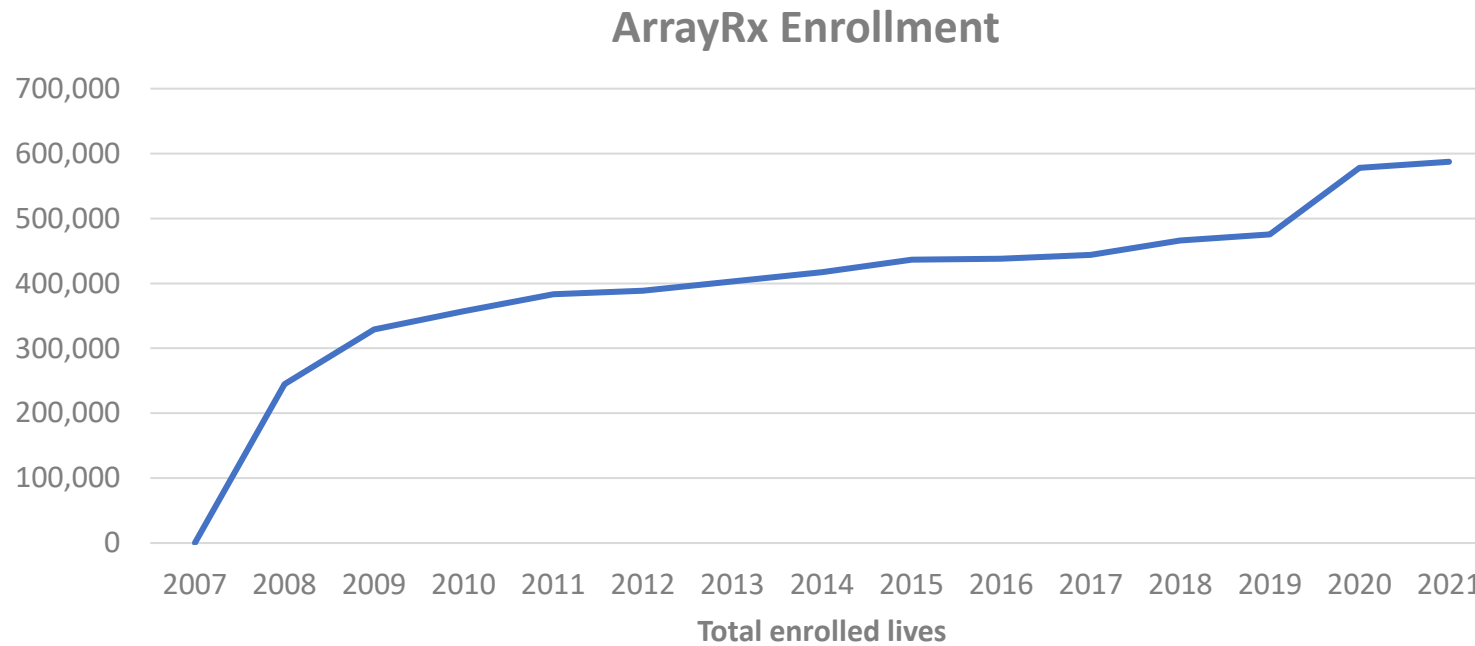


Operating principles

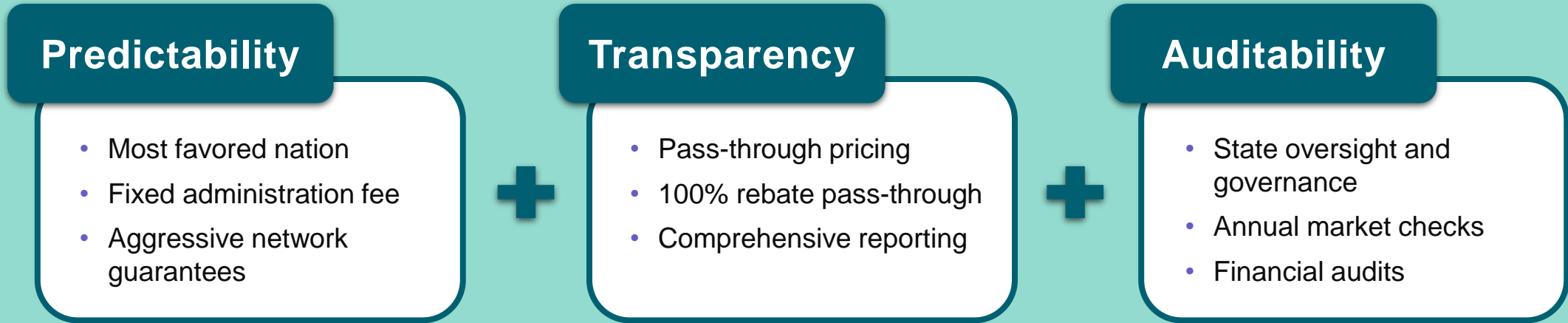
- Programs designed for public sector purchasers
- Fully transparent operations
- Pure pass-through pricing from pharmacies
- 100% pass-through of all manufacturer rebates and fee payments
- Fixed administration fee (per Rx per paid claim or PMPM)
- Third party annual market checks
- Comprehensive audit rights
- Custom formularies and clinical services
- Medical Rx alignment

Over a decade of sustained growth

More than **one-half million members** served by public employee, commercial employer, Managed Medicaid, and facility programs



The next generation of transparency



= Working for States

Saves money

Increases understanding

Builds confidence

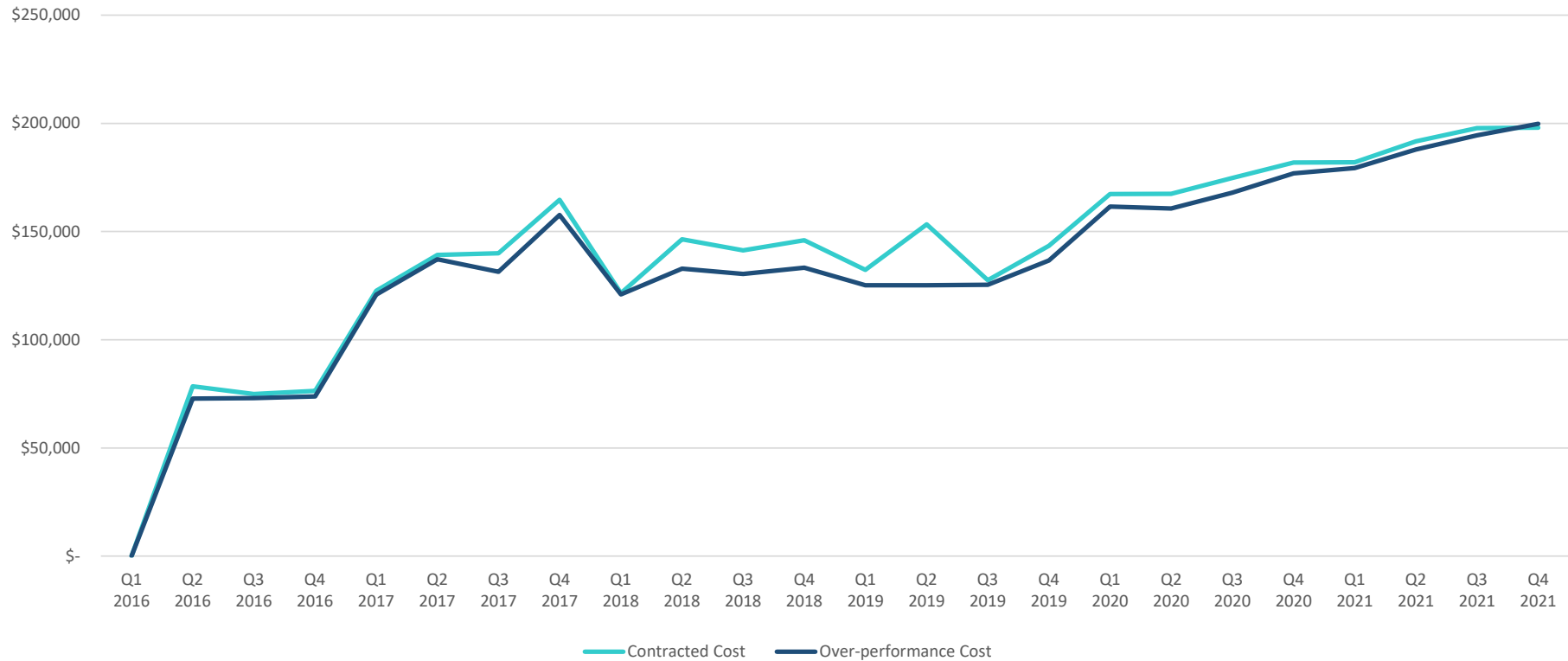
Maximizes potential

Validates savings

Peace of mind

Value of pass-through over-performance

Over \$142 million in additional savings on pharmacy benefits through network over-performance since 2016



Program participants



Our future direction

- Evaluating alternatives to improve the pharmaceutical supply chain
 - Fulfillment
 - Wholesaler distribution
 - Manufacturer

Two ways to participate

	Participating state	Partner state
Statutory authority	No statute supporting participation in regional consortia as in Washington and Oregon	State has statute supporting collaboration with regional consortia
Intergovernmental agreement	Ability to contract with ArrayRx to deliver state agency or entity's needs	Establish intergovernmental agreement with Oregon and Washington
ArrayRx-level participation	Participating Program Agreement for an ArrayRx service No participation in ArrayRx Steering Committee	Seat on ArrayRx Steering Committee

To learn more...



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