2013 Milliman "Report" on Impact of Preferred Pharmacy Networks on Part D: Bought and Paid For by PBMs

Follow-up 2014 Milliman "Survey" on Proposed Part D Rule: Based on Opinions of Financially Interested PBM Executives

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A 2013 Milliman Report on the Impact of Preferred Pharmacy Networks in the Medicare Part D Program ("2013 Milliman Report") that has been cited by Pharmacy Benefit Managers (PBMs) as "proof" of the cost savings that these arrangements can produce is flawed for a myriad of reasons. This "report" was commissioned by the Pharmaceutical Care Management Association (PCMA), the association that represents the interests of PBMs—the same large corporate entities that stand to profit handsomely by the proliferation of these exclusionary structures that limit the participation of small business pharmacies and impede patient access to a convenient pharmacy of their choice. *At the end of the report itself, Milliman discloses that the report has been prepared solely for the internal business use of, and is only to be relied upon by, the management of PCMA and that the "results" are in fact only estimates based on actuarial models.*

- **2013 Report Based on "Assumptions" and 2014 Survey Based on Biased "Expectations"**

The 2013 Milliman Report states that "this analysis is based on assumptions from Milliman's consulting experience and survey data." The report also concedes that the numbers cited as "savings" are in fact simply estimates that Milliman derives from "actuarial models." Not surprisingly, when the proposed Part D rule was released in early 2014 that would have allowed all willing pharmacies to offer preferred cost sharing—the PBMs quickly sprang into action to protect their lucrative business model. They quickly released a "survey" based on the expectations of PBM executives. The findings of the survey revealed that these PBM executives were worried that expanding beneficiary access to potential cost savings in Part D would cut into their corporate profit margins and made a blanket prediction that the consequences would be dire for the federal government.

100 Daingerfield Road
Alexandria, VA 22314-2888
(703) 683-8200 PHONE
(703) 683-3619 FAX

- **2013 Report Erroneously Correlates Cost Savings Realized Through Brand Drug Patent Expirations to Preferred Pharmacy Networks**

The 2013 Milliman Report attempts to "ride the coattails" of the savings that have been realized in the past two years in the Part D program by the increased use of generic drugs. The increased use of generics has been fueled by a number of different factors—the most significant one being the increase in brand patent expirations. The report then goes on to try to create a connection between these savings by simply noting a correlation in this same time period to the increased use of preferred pharmacy networks

- **Milliman Itself Raised Significant Concerns Regarding Negative Impact of Preferred Pharmacy Networks on Patient Adherence and Access to Care in a Separate 2011 White Paper**

Interestingly, Milliman published a White Paper in 2011 entitled "*Pharmacy benefit management: Pros and cons of various approaches."* ("2011 White Paper"). In this document, Milliman raises concerns about patient adherence and access to care in preferred pharmacy networks. The 2011 White Paper notes that "limiting pharmacy choice by requiring plan members to fill prescriptions only at certain stores may make it more difficult for some members to get their prescriptions filled. Importantly, difficulty in accessing pharmacies is believed to be a factor in reducing medication adherence rates."[1] The 2011 White Paper cautions against making any such changes that could negatively impact patient adherence noting that "failure to take hypertension or cholesterol medications on schedule, for example, may not show adverse results in the short term but can, over time, lead to drastically more serious conditions (e.g., a heart attack), poorer member health, and resulting higher medical costs."

The 2011 White Paper also identifies issues with patient access in preferred pharmacy networks and notes that given the makeup of the U.S. retail pharmacy landscape, "developing a limited network of preferred pharmacies may be difficult in many parts of the country" given the fact that each of the major retail chains has "holes" or below market presence in certain regions of the country. In addition, the document notes that preferred pharmacy networks may result in patients being forced to travel relatively long distances to get to a preferred pharmacy and limit their ability to use their chosen pharmacy.

[1] Adult Medication (2006). Overview, Medication Adherence—Where are We Today? American Society on Aging, American Society of Consultant Pharmacists Foundation.

- **2011 Milliman White Paper Acknowledges that Limited Networks May not Provide Cost Savings over the Long Term**

In stark contrast to the current talking points being used by PCMA and the PBMs regarding the savings to be realized by the use of exclusionary preferred pharmacy networks, the 2011 Milliman White Paper stated that while the use of limited networks was an "interesting concept and may lower costs" they also cautioned that these same arrangements "do not inherently provide financial advantages, particularly in the long term."

Conclusion

Unfortunately, the large corporate giants that have profited mightily from the proliferation of preferred pharmacy networks to date are continuing to distort the facts and manipulate data to protect their market positions even in the face of data that these arrangements are potentially harmful to beneficiary health and an admonition from their own consulting firm that these arrangements do not inherently provide long term financial advantages.