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Ohio Consolidates Drug Benefits For Large Public Employee Groups

BY RICK BYRNE

Proving there's strength in numbers, four of Ohio's largest purchasers of prescription drugs have pooled their purchasing in the last two years. Now the consortium they formed has made a play to strengthen its market clout by offering admittance to all active public-sector entities in the state.

In 2007, the RxOhio Collaborative formed from the union of the Ohio Public Employees Retirement System, School Employees Retirement System of Ohio, State Teachers Retirement System of Ohio and Ohio State University. Together their aggregate purchasing power amounted to 412,000 covered lives. Even as it was in the process of its first request-for-proposals to select a pharmacy benefit manager, organizers of the RxOC (pronounced "the rock") intended to extend the offer to other public employee groups, including government, school district and higher education employers. Encouragement came from Gov. Ted Strickland, who called upon government entities to work on collaborations that would save the state money.

Table 3-1: Rx Ohio Collaborative Reshapes Pharmacy Benefits

Founded	2007
Founding members	Ohio Public Employees Retirement System, The Ohio State University, School Employees Retirement System of Ohio, State Teachers Retirement System of Ohio
Total covered lives	471,000
Home	Ohio State University Managed Health Care system
Pharmacy benefits manager	Express Scripts

Source: RxOhio Collaborative

The RxOC's effective date was Jan. 1, 2008, and by summer of that year, the first new group to join was the Sandusky-Ottawa County Schools. As their PBM renewal dates approached, other groups from around the state have joined the RxOC, including Ohio University, the State Highway Patrol Retirement System and Wright State University. Groups range in size from just 700 lives in Seneca County to 16,000 in the Columbus City Schools group. With the additional accounts, the total covered lives exceeds 471,000.

“We have the potential, if you look at all the organizations that fall within the qualifying categories, to cover well in excess of a million lives,” said James K. Piper, associate executive director of business and product development at The Ohio State University Health Plan Inc., which manages the RxOC on behalf of the university. “We expect to be close to half a million lives by the end of the year. Next year we’ll probably reach about 520,000. As we see private sector organizations coming together across Ohio in buying consortiums, we will bring in more and more of the smaller entities that would not have been able to participate on their own. There are a lot of large counties and municipalities that self-fund their benefits that could buy in right now.”

Leaders of the four originating groups employed an RFP process to select Express Scripts as the PBM, but even the consulting group that conducted the RFP was selected by its own competitive bidding process. Express Scripts assembles the network and allows each organization within the collaborative to choose from among three networks. Specialty pharmacy benefits are also administered by Express Scripts, and though it is carved out from the RxOC, all groups so far have elected the benefit.

For Medicare-eligible retirees, the RxOC counts as creditable coverage under Centers for Medicare & Medicaid Services rules. That means employers can claim the federal subsidy and retirees need not enroll in a Part D prescription drug plan for coverage of their medications.

The Best Selling Point Of The RxOC: Autonomy

Despite the consolidation of purchasing and network, the control of the benefits remains in the hands of the member groups’ human resources function.

“The beauty of how we wrote the RFP is that with every group coming on board, they would have complete autonomy in terms of plan design,” said Kim Frericks, director of client and member services. “The bidders in the RFP were willing to work with that.”

Across the multiple groups already signed on to the RxOC, there is no single benefit package. Some have three-tiered copay systems, some have two, and some have unique copay and coinsurance structures. New plans joining the consortium find comfort in not having to educate members on a new benefit package, unless the benefits managers of the group had already planned a change. The ability for groups to retain benefit designs particularly smoothes acceptance of the RxOC by groups with significant union membership.

“We get great feedback and uptake from the unions; no concerns or complaints,” Frericks said. “Building in the autonomy played a role in that. Now, when we get groups seeking us out, saying, ‘Tell us about the RxOC’—they want to hear about it.”

The collaborative does not, however, solicit any funds from the pharmaceutical manufacturers, Piper said. Any rebates accrue directly to the member groups.

State Employee Group Remains Outside For Now

One key public employee group likely won’t join the RxOC in the short term—the active state employees’ group. The Ohio Department of Administrative Services recently rebid its carved-out pharmacy benefit for the state group through an RFP—in which the RxOC was a bidder—and the state stayed with its incumbent PBM, Catalyst Rx.

“We can only assume they underbid the RxOC,” said Patti Nussle, strategic pharmacy director at the OSU Health Plan. But in the long run, if Ohio’s state budget continues to struggle and the collaborative continues to deliver savings, a single consortium covering all government employees statewide could be inevitable.

“Our overall goal and our overall message to government employers is to drive down drug costs for colleges, schools and other government agencies,” Nussle said. “We welcome anyone to the RxOC that shares that same goal.”

How much can the RxOC save for its members? The founders anticipated they would collectively save \$300 million over three years. According to Piper, they are on track to achieve that level of savings. Since some of the affiliated groups have joined the collaborative at different times, many of them have not yet calculated savings, but some have.

Ohio State, with 50,000 benefits-enrolled employees and dependents, saved \$3.55 million—or 9 percent of its projected \$41 million pharmacy expenditure—in 2008. Ohio University is projected to save \$618,000, or 8.2 percent of its \$7.6 million in plan drug costs, and Wright State projects it will save more than \$300,000, or about 9 percent of its \$3.3 million annual pharmacy expenditure, thanks to the RxOC. Further, with the formation of its Institute for Pharmaceutical Outcomes, the RxOC is positioned to guide members to better clinical and cost outcomes, Piper said.

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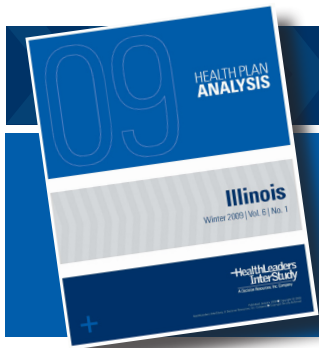
“The Institute for Pharmaceutical Outcomes includes a statewide advisory committee and a pharmacy benefit think tank, comprised of Ohio’s best in clinical and pharmaceutical research” Piper said. “That is definitely a differentiator, something that obviously sets us apart from the competition, to have that resource at hand.”

Future plans for the RxOC call for broader member services to help organizations—and their employees—to navigate and maximize their pharmacy benefits. A medication therapy management program (MTM), which makes a pharmacist available for one-on-one consultation with members, particularly those with complex conditions and multiple prescriptions, is scheduled to be offered to all groups in 2010.

“Right now we’re piloting this MTM program with our OSU clients,” Nussle said. “We are offering a university-run program and we’re excited about it. Our resource at the university is a professor who is a leader in MTM as recognized by the American Pharmacists Association.”

Outlook

As group-buying consortiums grow, pharmaceutical manufacturers will find their margins threatened. Public employee groups have experienced tight budgets as much as private sector employers, and have every incentive to throw around the weight of their numbers to achieve savings. Managed care plans that have in-house PBMs may also find reduced demand as more groups join consortiums for carved-out pharmacy benefits. ■



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