

Questions to Ask Your PBM

Disclosure (Pricing Transparency)

➤ **Pharmacy Network Pricing – Discounts, MAC Prices, & Dispensing Fees**

- Do you pass on 100% of the discount you receive from your pharmacy network providers to us? If you retain any portion of the negotiated discounts on brand or MAC prices (commonly known as spread), will you guarantee that you will fully disclose any spread you retain?
- Is your quoted brand discount guarantee based upon your broadest network of pharmacies?
- When quoting a brand discount at retail or mail-order, how is that discount calculated?
- How do you define a brand drug for the purposes of calculating your brand discount?
- When quoting a generic discount at retail or mail-order, how is that discount calculated?
- How do you define a generic drug for the purposes of calculating your overall generic effective rate and generic utilization rates?
- Do you pass on to the pharmacy network 100% of the dispensing fee we pay? If you retain any portion of the dispensing fee, will you guarantee that you will fully disclose any amount you retain?
- What is your process for adding drugs to the MAC list?
- How many MAC pricing lists do you maintain?
- Will you commit to using only one MAC list for our pharmacy network and us?
- Will you share that MAC list with us on a quarterly basis?
- Do you use different reference sources to determine AWP? If yes, how will you determine which you will use for our business?
- Will you commit to using only one consistent source of AWP for our plan?
- Will you commit to only charging off of the AWP for the specific 11-digit NDC utilized to fill each prescription?

➤ **Rebates and other manufacturer payments**

- Do you pass on 100% of all access and market share rebates you receive from pharmaceutical manufacturers?
- If you retain any portion of rebates, will you guarantee that you will fully disclose all manufacturer funds you receive and retain?
- Are you able to report, down to the individual drug and NDC level, the specific rebates earned for our book of business?

- What types of rebate management reports are provided?
- Do you provide web-based access to client-specific rebate data and reporting?
- Will our organization have full access to all comparative net pricing data (after AWP discounts and rebate) for all branded drug products? How will this be provided?
- Do you collect other fees from drug manufacturers (*e.g., rebate administrative fees, 'incentive fees', 'data management fees', 'data-sharing fees', 'performance fees', 'rebate management/administration fees', 'access fees', 'formulary management fees', 'professional services fees', 'health management fees', 'educational grants/fees', and 'drug promotional/advertising fees'*)? If yes, please describe and also note whether such fees are fully disclosed and fully auditable.
- Do you share any additional fees collected from drug manufacturers with clients?
- Describe process and timeline for invoicing, collecting and dispersing rebates for your clients. Describe any flexibility you have regarding this process and your timeline.
- How long do you hold rebate revenue paid by pharmaceutical manufacturers before passing it on clients?
- Do you generate income from interest on the rebate revenue while you hold it? Will you guarantee that you will fully disclose all interest received on our plan's rebate revenue?
- Are your rebate guarantees based upon a \$ value per total paid claims (brand and generic), total brand claims, total rebatable brand claims, or other? Please clearly define the numerator and denominator utilized to calculate this metric.

➤ **Mail Service**

- Does your mail pharmacy repackage any mail-service products?
- Will you guarantee that your mail facility always dispenses prescriptions from actual purchased package sizes and submits claims based on approximate or actual acquisition cost?
- Do you accept MAC pricing list for your mail pharmacy? Will you share that MAC list with us on a quarterly basis?
- Can we fully audit your mail facility to ensure that the operation is delivering the lowest net cost to our plan or members? If the audit finds any policy or activity that is detrimental to our plan or our cost management strategies will you agree to immediately stop this activity?
- Do you offer acquisition cost pricing through your mail pharmacy? If no, please explain.
- What is the dispensing fee associated with your acquisition-cost based mail program?

➤ **Switch Programs**

- Do you have any programs that are designed to “switch” one prescription product to another (generic incentive programs, formulary compliance programs)? How do these programs benefit us? Can you guarantee that these programs are designed and will deliver the lowest “net cost” for our members and us?
- Do you generate any revenue or fees for these types of switch programs? Will you guarantee that you will fully disclose any sources and amounts of revenue or fees you generate from these programs?

➤ **Net Cost Reporting**

- Does your reporting system have the ability to show total “net cost” for each prescription, each therapeutic class, and overall total plan Rx expenditures, including all rebates or administration fees received from pharmaceutical manufacturers?
- Will you provide us with information that will allow us to know how the net cost of drugs will be affected by formulary decisions?
- Will you track and report our pharmacy trends by:
 - Ingredient cost trend
 - Member contribution trends
 - Member utilization trend

➤ **Audits**

- Are your rebate processes, records, and contracts fully auditable?
- What limitations are there to our organization’s auditing capabilities with your organization?

Financial Incentives

➤ **Fiduciary Commitment**

- Will your company sign a fiduciary commitment agreement stating that all decisions will be made solely and exclusively in the best interests of the client and its plan members - with the understanding that any violation will subject your company to substantial penalties?

➤ **Payment for Services**

- How do you propose to get paid for providing us with PBM services? Will you:
 - charge us a per member or per claim processing fee?
 - retain a portion of pharmaceutical manufacturer rebates or other funding?
 - retain pharmacy discount spread?
 - retain a percentage of the savings that you're able to achieve for the plan?
 - other strategies?
- If you propose a combination of the above, in what proportions do you propose to be paid? Will you guarantee that the calculation of each payment strategy will be reported and auditable? How will you guarantee that your payment arrangements will be consistent with our mission to control drug spend?

➤ **Clinical Programs**

- Do you offer clinical programs that lower Rx costs for our members and us?
- Will you track and report how these programs affect our drug utilization and drug costs?
- How do you ensure an evidence-based nature of all your clinical support programs and services?
- How are your clinical programs developed?
- Do you receive pharmaceutical manufacturer funding or support to develop your clinical programs? If so, please describe.
- Will you guarantee to disclose the funding of every clinical program you propose to our organization?

Client Service

➤ **Customized Service**

- Will you customize a formulary for us based on our utilization and net cost considerations?
- Will you customize clinical programs to serve our members' needs based on your clinical expertise and our input?
- Do you offer custom reports for your clients? How long is the average turn around time on such ad hoc reporting? Do you require an additional charge for such reports? If so, what is the fee?