

EMPLOYEE BENEFIT **Adviser**

Rx EXPERT

Anchored by family ties,
Jennifer Kingsley Wilson
knows the ropes of the
PBM industry.



Familiar waters

With more than 20 years' experience in employee benefits, most in pharmacy benefit management, **Jennifer Kingsley Wilson** knows the ropes of the PBM industry. From tackling tricky contract proposals to knowing how to find true transparency, she'll never guide her clients off course.

By Elizabeth Galentine
Photographer Brian Minnich



THE VOYAGE TO BECOMING FOUNDER AND CHIEF EXECUTIVE OFFICER OF PHARMACY BENEFIT CONSULTING FIRM ARMSRX WAS A PERSONAL ONE FOR JENNIFER KINGSLEY WILSON,

steered by first-hand experiences with America's health care bureaucracy. Through her own paralyzing injury and her brother's battle with cancer, Kingsley Wilson didn't just learn about the industry through clients and business contacts — she lived it.

When a car accident left her feeling nothing from the waist down, doctors told her she'd never run again. Instead, she made a full recovery — even competing in a national championship triathlon series.

Her next challenge came when she became a bone marrow donor for her brother, who was diagnosed with leukemia during the 90-day elimination period at his new job. Bounced from hospital to hospital, the siblings ended up at a cancer research center in Seattle before Gregg Kingsley succumbed to pneumonia about a month after the bone marrow transplant.

"I learned a lot about what happens in health care, what doesn't happen and what should happen," says Kingsley Wilson.

Already in the insurance business as a financial planner, Kingsley Wilson changed course and went to work for an HMO. Not satisfied that she was making a difference, she entered the self-funded

marketplace by starting her first company, Administered Risk Management Services Inc., or ARMS Inc., in 1991.

She learned the ropes by setting up self-funded plans, complete with TPAs, reinsurance contracts, UR firms and pharmacy benefit programs, for hotel chains and other companies in the U.S. Virgin Islands.

"I had to get my hands dirty and develop the pharmacy network over there and negotiate the fee structure because they didn't really have one for the PBM that I used. So I helped them put networks in place," she says. "I ended up fishing in all these ponds people didn't fish in."

The experience led to a consulting job developing pharmacy networks in Puerto Rico as well, and Kingsley Wilson spent the next four years island hopping until the prospect of "Hillarycare" brought her back to the mainland.

When Hillary Clinton's call for nationalized health care made waves in the mid-'90s marketplace, Kingsley Wilson went looking for smoother sailing: "I thought to myself, I need to get into a niche market."

EXPERIENCE

Because she learned the ins and outs of negotiating contracts with pharmacies when she worked as a consultant for a small PBM, Kingsley Wilson knew the revenue streams and how to navigate them. She established ARMSRx, an offshoot of ARMS Inc., when there were more than 230 PBMs in the industry. Most of them subcontracted their private-label services to backroom vendors. It was only natural that, with “so much additional fat and revenue being built in,” the larger PBMs began to buy up the little guys. Kingsley Wilson found her niche in developing her PBM consulting firm, seeing an enormous need among employers whose existing PBMs were acquired. “There was really no way for the folks to know if their contract was actually being met or if it was competitive,” she says.

Today, ARMSRx’s focus remains the same — making sure that clients get what they are due.

“The PBM industry hasn’t had the greatest reputation of working in the best interests of their clients over the years,” says Kingsley Wilson. “They’ve found all sorts of different ways to hide revenue streams, and nothing will get by us.”

ARMSRx represents employers in contract negotiations with their PBM, then continues to support the payer once they sign a contract. “We do little mini audits throughout,” says Kingsley Wilson. “It’s not as though we’re just going to take their word for it because they put it in their contract.”

Now, it’s déjà vu all over again as “Obamacare” makes headlines for health reform. It’s different this time, though, she says.

“Whether Obama has a plan that passes or not, it’s not really going to affect what we do because there are still going to be the private payers out there.”

KNOWLEDGE

Based outside of Orlando in Windermere, Fla., ARMSRx works with all payers, including employers and associations, and also serves as the backroom for many brokerage and consulting firms across the country.

Because typical employee benefit advisers are concentrating on core needs such as finding the best PPO networks, TPAs, reinsurance companies and voluntary benefit providers, “there’s no way that they could possibly keep up with what we keep up with and know what we know” about pharmacy benefits, says Kingsley Wilson.

“It’s not a detriment to them or a slight against them. I don’t know who the best reinsurer is right now because I’m not focusing on that. Specializing in pharmacy benefits gives us the upper hand to know everything happening every day. There’s not a day that goes by that we don’t know what drug’s been recalled or something that’s happening in our industry.”

Kingsley Wilson looks at the complementary savings analysis that ARMSRx provides for employers as more than just number crunching. “It’s saving peoples’ jobs, it’s saving peoples’ salaries,” she says. “It’s a substantial amount of money. People don’t realize that this small pharmacy piece can save them so much.”

In fact, there’s a lot of confusion about pharmacy benefits in general, and employers don’t often know how the industry works or what they should be seeking in their relationship with a PBM, says John Jones, senior vice president of professional practice and pharmacy policy for pharmacy benefit manager Prescription Solutions.

EQUALS

STABILITY

Jones has more than 20 years of experience in the PBM industry and chairs the URAC accreditation pharmacy advisory group.

Buck Consultants’ annual prescription drug benefit survey polled more than 140 U.S.-based organizations in July, with 99% of respondents stating that they provide prescription drug coverage as part of their employee health care program.

When working with a consultant or adviser to evaluate a PBM contract proposal, employers need to consider contract pricing, the possible financial disruption that new clinical programs could create for employees, and the costs to the payer for the drugs on the formulary. Drug manufacturers provide rebates based on where their product is placed in the formulary, and those rebates may or may not be passed on to the employer.

“I think we’ve been a little weak on the formulary analysis as an industry,” says Michael Jacobs, principal and national practice leader with Buck. “I think many of the employers diminish the impact that a formulary can have on their overall pharmacy costs and health care costs. I think we need to start emphasizing that a little bit more.”

And, it’s time for consultants to start charging more money, he adds. “It’s a lot of work on our part to do the analysis correctly, and obviously we want to do it correctly,” says Jacobs. “I think we kind of gloss over it because a) we don’t want to overprice our services to clients because they won’t hire us and b) I have not seen that all groups do it as effectively as others.”

ARMSRx does its savings analysis as soon as the PBM is hired by an employer. Between six months and a year into the contract, ARMSRx will compare the employer’s projected savings versus actual savings. “I will tell you, we’ve been either right on or, in most cases, they’ve saved more,” says Kingsley Wilson.

A mother of three kids between ages 4 and 13, Kingsley Wilson says a typical day — that is, when she’s not traveling across the country to meet with clients — consists of getting the kids ready for school, then squeezing in a morning run, followed by “a lot of electronic stuff” — Web seminars, conference calls and working with consultants. “There’s not a day that we’re not running numbers to try to present savings analyses to clients or prospects,” she says.

STRENGTH

IN

NUMBERS

The 15-employee company has found success using the leverage of 150,000 to 500,000-member associations or group purchasing organizations to negotiate contracts with PBM vendors. “Any employer group can jump on one of these association group purchasing contracts and get a contract that they’d never get on their own,” says Kingsley Wilson. “We have some association and group purchasing clients that are light years away from any pricing and service arrangement that could be achieved for a 1,000 life group.”

Such groups include state hospital associations across the country. Kingsley Wilson represents one of the nation’s largest group purchasing organizations, Provista, which recently launched a PBM program and has around 1,000 different contracts with various industries that allow their 16,000-plus employer members to buy supplies such as paper slippers, televisions, computers, books and office supplies at a reduced rate.

The model works to an employer's advantage, there's nothing to stop a broker or consultant from promoting a GPO to their clients, says Kingsley Wilson, because Provista and ARMSRx work with the brokers to keep their commission intact.

"We invite the brokers to always participate in these association group purchase programs because we'll make sure they're compensated and the Rx program is positioned in the best interest of their client. When we do the savings analysis, the broker's compensation is included. It's transparent; it's not a secret. So the broker looks good, he or she was able to provide their client with a leverage contract that would be difficult for the employer to achieve independently due to size, and everybody's happy."

OPAQUE WON'T CUT IT

Of course, the pharmacy industry is not exactly synonymous with transparency. A version of health reform legislation passed by the House Energy and Commerce Committee at the end of July looks to fix that by including provisions that would require PBMs to inform the government or federally approved health plans of the difference between what they pay for drugs and what they charge insurers for them, as well as require PBMs to disclose drug maker rebates and share whether or not those rebates are passed on to insurers.



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Kingsley Wilson is paid for consulting in three different ways. In leverage contracts, the ARMSRx fee is built into the structure of the program and is disclosed. The same goes for her fee with brokers who use ARMSRx as their backroom PBM consultant. For clients that have ARMSRx on retainer, she'll charge an hourly or lump-sum fee for project work.

Typically, brokers or consultants will have ARMSRx run a one-page savings analysis on the brokerage or consulting firm's letterhead for their clients. "Everything's disclosed. So everybody gets paid, and it's the best of both worlds," says Kingsley Wilson. "The broker gets us, the client gets us indirectly, and then the employer saves money."

While PBMs will often label themselves as transparent, it's not always genuine, says Kingsley Wilson. A recent RFP to half a dozen vendors returned only two proposals that satisfied Kingsley Wilson. "They all call their proposals transparent, but they're not," she says. "It's just being able to see through the lines of whether it's real transparency or false transparency."

Tim Thomas emphasizes the point. "If I tell you there's money in my house somewhere but you have to find it, I'm being transparent, I'm telling you it's there, but you have to know where to find it," he says. "In a transparent pass-through deal, the analogy is there's money in the house, it's under the ice cubes in the freezer. So a lot of PBMs will say they're transparent, but since they're dealing with folks who don't know the industry, it's hard for them to know if they've really negotiated a good deal with their PBM or not."

When asked what kind of structure they have with their PBM vendor, be it traditional, transparent or pass-through, 37% of respondents to Buck's survey indicated they don't know.

"It concerns me only in the sense that there's a lot of money involved," says Jacobs. "If you select a vendor and you want to be actively involved in managing your investment, what we're concerned with is that the structure of the contract gives the client the right information they need to make those decisions in the way they want to make them."

While some employers are blindly content with and trustful of the PBM relationship that they have, Kingsley Wilson says others are growing savvier. "As of recently, some of the employers are starting to think, 'We have to do something to create savings because of the economy.' So now is the time that folks are really starting to raise an eyebrow."

Kingsley Wilson looks for a PBM to provide true pass-through savings to the client, not just a flat, average wholesale price discount.

"If we give them claims data and ask them to tell us how the claim would be adjudicated — not what the minimum guarantee is — and they can't give us that, then it's not a transparent arrangement. We have had PBMs re-price data as the claim would adjudicate, and we consider that they are willing to play a fair and equitable game."

DEFINE DISCOUNT

Along with transparency, generics are a hot topic in the PBM world. These days, the leading PBMs all have their generics on proprietary maximum allowable cost lists. When employers and their consultants are looking for the least-expensive drugs, they'll turn to these MAC lists and see aggressive discounts, as much as AWP minus 65%.

However, it's not as simple as comparing a spreadsheet of different PBM prices.

There could be a dozen different manufacturers for one generic drug with pricing that is "all over the map," says Kingsley Wilson. Depending on the manufacturer, costs range anywhere from 2 cents to 20 cents to more than \$2 a pill. So, you may be getting a 65% discount off of a \$2 pill on one MAC list, and another list might have the same pill for 30 cents, she explains: "The PBM that has a lower discounted price may actually be the better deal."

There's another catch. Because they are proprietary, PBMs can change the drugs on their MAC lists at any time. "I don't care what the numbers are on a piece of paper. I don't care what you bid or what's in your contract," says Kingsley Wilson. "The only way I'm going to know if you have a good deal is if I run the numbers and know what you're paying."

As of press time, AWP was set to be reduced by 3.5 to 4 percentage points at the end of September, thanks to a lawsuit against drug wholesaler McKesson Corp. and publishers First Databank and Medi-Span alleging that they artificially raised the prices of hundreds of prescription drugs by 5%. Additionally, the plaintiffs in the class-action lawsuit were awarded a \$350 million settlement.

Employers need to audit their PBMs to ensure that this change is made in a price-neutral manner, says Kingsley Wilson. "If a client is paying \$100 for a drug today, they must be paying \$100 for a drug tomorrow," she insists.

However, Prescription Solution's Jones says such a drop in the percentage of what PBMs are paying the pharmacy networks will "simply not be sustainable," and he doesn't believe the lawsuit will result in a long-term change.

"As far as a big change in the way drugs are priced, even though there will be an alteration in how the benchmarks are calculated, I believe most of the PBMs recognize that the networks would be unsustainable if they were forced to that lower price," says Jones. "It's probably not going to result in a big change. It will probably be an adjustment, but people will be where they are today rather than a different place in the future."

Data reporting services say they will not continue to publish AWP indefinitely. "Right now, even though AWP has been criticized as being a flawed methodology — and I would agree it has its challenges — it is at least a consistent basis upon which PBM contracts are

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denominated. If there is a better industry standard developed to replace AWP, then ultimately this will be a good thing. If there is no standard method to replace AWP, then this will be bad for plan sponsors."

Meanwhile, Jacobs believes "some real reform" will come out of the industry in the near future — he just doesn't know if it will have a positive effect.

"When we take a look at the health care reform that's been proposed, it has some positive things in evidence-based medicine, but it's loose on the definition at this point. I would like to see some teeth in comparative studies between drugs. That we actually get to see value of drug A versus drug B," he says. "I think we need to take a look at what are the realistic results of some of the new therapies that are coming out — specifically

the biological specialty drugs."

There are several bills floating around both the House and Senate with regard to bio-similars, with varying limits proposed for a period of market exclusivity and an FDA guidance approval process, says Jones.

Meanwhile, Buck's prescription drug benefit survey shows employers are becoming more aggressive about sharing prescription drug costs with employees. In 2008, 51% responded that they were using cost sharing as a utilization management tool. One year later, that number rose by 25% to 76%. "Overall, employers are getting much more assertive in holding employees and members accountable for healthy behavior," says Jacobs.

It's been more than 15 years since Kingsley Wilson entered the PBM industry, and she's used the time to grow as an adviser and consultant. "I think I've just become more patient. I already know what's going to happen before it happens, so nothing ceases to amaze me," she says. "What I've learned and how I've changed is now, doing this for so long, I know what I am able to get away with putting in contracts for our clients and taking out of contracts for clients. So whenever I try to do the same for other clients and the PBM says, 'No, we're not going to do that,' I say, 'well, you did it for this one,' or 'I know a competitor that will do it.'"

Confident in her knowledge of the industry, Kingsley Wilson plans to keep using the personal perspective she gained through her own loss and triumph to continue working in the best interest of her clients. "We're very good at it," she says. "There's not much that gets by us." **EBA**



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