

**Multi-Stakeholder Evaluation of Direct Contracting Between a Pharmacy and a Private Employer and Dissemination of Best Practices**

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| **Objectives** |
| This study details the experiences and learnings from Towncrest Pharmacy and a local employer engaging in a direct contract arrangement for prescriptions and pharmacy services. The objectives of this study were to assess the employer, patient, and pharmacy experiences and financial implications of the direct contract and create a playbook for pharmacies and stakeholders interested in implementing similar arrangements. |
| **Methods** |
| **Design:** This study consisted of four data collection methods, 1) retrospective analysis of 412 prescription claims for study employees under the previous PBM contract and what they would have been charged under the pharmacy cost-plus direct contract, 2) retrospective analysis of pharmacist interventions and drug therapy problems documented in the pharmacy clinical documentation software, 3) cross-sectional mailed survey of employees who filled prescriptions under the direct contract to assess satisfaction, experience, and perspectives on the arrangement including service use and comparison to the previous pharmacy and previous prescription payment arrangement and 4) 7-60 minute semi-structured interviews with key stakeholders including the business owner, insurance agents, pharmacy owners, and experts in the prescription payment and pharmacy benefits management industry.  **Study endpoints:** 1) Employer net savings total and per-prescription over 6 months with the direct contract versus previous PBM; 2) description of pharmacist interventions and drug therapy problems identified for a 12-month period at the start of the direct contract; 3) Employee satisfaction measure results, comparison of Towncrest to their previous pharmacy, awareness, and use of enhanced pharmacy services, perceived change in out-of-pocket costs with the direct contract; 4) analysis of pharmacy revenue, costs, and profit associated with the direct contract; 5) a playbook informed by stakeholder interviews  for pharmacies and others looking to learn from and implement direct contracts. |
| **Results** |
| **Employer financial analysis:** For the six-month comparison of the employer’s PBM contract with what they would pay with the direct contract with Towncrest, the employer’s net savings was calculated at $5,664 which averages to $13.74 per prescription. This is 18.5% less per prescription under the cost-plus arrangement with Towncrest compared to the PBM contract.  **Pharmacist Interventions:** From April 2019 to March 2020, Towncrest provided prescription services to 48 individuals who were either employees or family members. Pharmacists documented 140 interventions for 25 patients (52.1%) with a range of 1 to 28 interventions and a mean of 5.6 interventions per person with at least 1 intervention. This included identifying and addressing 72 drug therapy problems, 34 patient discussions, administering 4 immunizations, and 3 medication therapy management services. Common drug therapy problems documented were issues with medication compliance (n=37) and therapeutic duplications (n=25).  **Employee Satisfaction:** Satisfaction surveys were mailed to 20 employees and 9 responded (45%). Employees responding to the satisfaction survey were positive toward the service provided by Towncrest Pharmacy pharmacists and staff including reporting that staff often or always listened carefully and showed concern. Respondents reported lower rates for refill than new prescription counseling information provision, but this is not unexpected as many of these patients were on long-term maintenance medications.  **Pharmacy financial analysis:** The pharmacy received $22,949 in revenue from prescriptions through the direct contract and had costs of $22,050 for a net profit of $899 for 412 prescriptions over 6 months. This is a conservative estimate of profit and does not include wholesaler rebates. Also, $4,944 of the cost was the cost of dispensing ($9.82 per prescription) which covers pharmacist salaries, overhead, and other expenses. This reimbursement for cost of dispensing greatly exceeds the $2 (or lower) cost of dispensing in many PBM contracts. The direct contract also avoided common problem with PBM contracts such as reimbursement below the drug acquisition cost, retrospective negative adjustments to pharmacy payments, and audits.  **Stakeholder interviews:** Stakeholders including the owner, the insurance agent, and other experts in prescription financing offered important insights which informed the playbook. This included details about the importance of taking a long view on employee health costs and not spending savings but retaining them for future expenses. Also, it may be challenging to convince persons in management responsible for making health coverage decisions to abandon their all-in-one health and prescription benefit for an un-bundled approach. Other important topics to discuss include the role of stop-loss insurance, engaging the pharmacy in promoting employee health and appropriate medication use, and the implications for rebates and specialty medications. Lastly, the most important part of this arrangement was the employer and pharmacy coming together to establish sustainable payment for pharmacy services. In this direct contract case study, the dispensing fee covered the pharmacy services to employees. The cost-savings realized by the employer through the direct contract help the employer commit to the arrangement that allowed employees to receive services from the pharmacy. Stakeholders discussed other approaches where employers pay specifically for pharmacy services rather than having them bundled with cost of dispensing. |
| **Conclusion** |
| Overall, this analysis demonstrated that the employer achieved significant cost savings through the direct contract compared to their previous contract with a PBM. Further, the employees that transferred their prescriptions to Towncrest had the benefit of close monitoring and clinical intervention by the pharmacists at Towncrest as evidenced by the 140 pharmacist interventions for 25 of the 48 employees over a 12-month period. Five of these employees received 12 or more interventions each. Employees were generally pleased with the service provided by Towncrest and found many aspects of using Towncrest to be equivalent or better than their previous pharmacy. There appears to be room for the employees to engage more with the clinically oriented services provided as part of the direct contract as use was initially low. This may increase over time as patients become more used to the pharmacy and its offerings. The employer remains positive about the arrangement with Towncrest for direct contracting prescriptions and is looking to further incentivize more employees to switch to Towncrest to maximize prescription savings and improve the medication use by employees through Towncrest Pharmacy’s approach to Continuous Medication Monitoring and other clinical service offerings. Lastly, Towncrest Pharmacy has achieved a sustainable and profitable arrangement with a local employer which they are looking to replicate as these arrangements allow for more transparency in pricing, and a sustainable cost of dispensing which allows them sufficient revenue to bundle in clinical service offerings like continuous medication monitoring, medication reviews, and adherence packaging. |