



## Action Alert

### Empire PBM Change Offers Opportunity to Control Costs

#### The Contract Opportunity

Financial executives have a tremendous opportunity to help their companies control current and future health care costs by negotiating a new pharmacy benefit management (PBM) contract rather than passively accepting the proposed Empire Blue Cross and Blue Shield PBM migration.

Effective December 31, 2008, Empire Blue Cross and Blue Shield, a Wellpoint subsidiary, will terminate its contract with Caremark for PBM services. Empire's objective is to convert all health plans from Caremark to NextRx, also a Wellpoint subsidiary. By actively renegotiating this contract, employers can save up to \$450 per employee per year in health care costs.

To realize the potential of this opportunity, you must take action during the upcoming third quarter of 2008, before finalizing your organization's healthcare plans.

#### The Action Options

Employers have three options: switch to NextRx, go through an RFP process to find a new vendor, or stay with Caremark. For different reasons, each course of action leads to meaningful cost controls.

	Switch to NextRx ("Carve-in" benefit that integrates with current health plan)	Conduct a Full RFP ("Carve-out" benefit with new vendor separate from health plan)	Stay with Caremark ("Carve-out" benefit with current vendor separate from health plan)
	Assess current employee utilization and identify inefficiencies		
	Understand current offerings from each vendor		
	Prioritize opportunity areas for organizational savings		
Action Steps in negotiating a new PBM contract	Leverage increasing revenue for Wellpoint and extend Empire relationship to negotiate the best possible pricing and discounts	Explore the opportunities that exist for your organization by vetting additional vendors, leveraging market competition to secure greatest savings	Keep your business with the incumbent vendor and leverage that existing relationship to garner additional covenants, including SLAs, discounts and rebates
	Among other negotiation points, take this opportunity to ensure a fully disclosed agreement with processes in place that protect your organization and help control overall health care costs, including service level agreements (SLAs), discount pricing/rebate pass-through, and "real-world" transparency regarding discounts and rebates to the vendor		

Why not leverage this contract renegotiation opportunity to receive a better plan for your organization’s bottom line and your employee’s coverage? Some employee-focused issues to consider are outlined in the chart below.

	<b>Switch to NextRx</b> ("Carve-in" PBM integrated with current medical plan)	<b>Conduct a Full RFP</b> ("Carve-out" PBM separate from medical plan)	<b>Stay with Caremark</b> ("Carve-out" PBM separate from medical plan)
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Status quo carve-in agreement maintains ease of integrated benefit administration</li> <li>"Seamless" change</li> </ul>	<ul style="list-style-type: none"> <li>All options are open</li> <li>Opportunity for "clean-slate" start with new vendor</li> </ul>	<ul style="list-style-type: none"> <li>Drug utilization review (DUR)<sup>1</sup> data may be migrated</li> <li>Data conversion (patient profiles, payment data, etc.) not required</li> <li>Less disruption for employees</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>Drug utilization review (DUR)<sup>1</sup> data may not be migrated</li> <li>Conversion of open mail order refill files from PBM to PBM will occur. However, files will not transfer if the refills are at "0" or if they fall into the certain drug categories</li> <li>Patient profiles and payment data may not be transferred</li> <li>Mail order usage may decrease in Q1 and Q2, leading to increased employer costs and potential compliance issues for employees on maintenance medications</li> <li>New prescription ID information/cards may need to be issued</li> <li>Employee satisfaction may decrease in short term</li> </ul>	<ul style="list-style-type: none"> <li>May need to manage second vendor</li> </ul>	<ul style="list-style-type: none"> <li>Need to manage second vendor</li> <li>Separate data feed may be required unless specifically negotiated</li> <li>May require new prescription ID information/cards to be issued unless specifically negotiated</li> </ul>

Often, employers choose the "carve-in" path for ease of administration. However, that path shouldn't mean you have to settle for the typical contract, which offers minimal accountability and performance metrics (if any).

Leveraging this Empire Blue Cross and Blue Shield contract renegotiation opportunity requires that you take proactive, immediate action. As this Action Alert clearly outlines, it's a tremendous chance to help your organization control its current and future health care plan costs by making meaningful contract changes as your current PBM situation evolves.

<sup>1</sup> DUR helps avoid potential medical management issues such as drug interactions, incorrect dosage, underutilization/overutilization, insufficient/excessive duration, and age contraindications, among others.

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## About Optimum Group, LLC

Optimum Group LLC specializes in helping clients optimize health plan costs without shifting costs to employees or cutting benefits. We work with senior executives to deliver hard-dollar cost savings quickly and maintain savings year after year.

We provide independent, vendor-neutral expertise in pharmacy, medicine, nursing, actuarial science and plan management. By uncovering and eliminating unnecessary expenses and engaging in active, ongoing plan management, our services lead to healthier balance sheets and P&L statements.