

CASE STUDY

SEEING OPPORTUNITY

The most underfunded Medicaid program in the nation delivers the lowest net PMPM spending on pharmacy benefits

THE CHALLENGE

Even in the best of times, state health and welfare programs face increasing demands and tight budgets. In this case, the pressure was extreme. Abarca was approached by a state Medicaid program that had the unfortunate distinction of being the recipient of the lowest federal reimbursements in the nation. It also had among the highest rates of diabetes and other costly chronic conditions. The agency was in search of a new pharmacy benefits partner who could help it become financially sustainable, without compromising member services or the quality of care. After a competitive process, it selected Abarca.

THE APPROACH

After gaining a deep understanding of the program's challenges, Abarca developed an integrated solution that combined improvements to formulary and utilization management programs, advanced analytics, and new revenue opportunities. Here's how:

1) Better formulary management. The company's clinical team reviewed utilization, pharmacoeconomic, and epidemiological data to reengineer the program's formulary. This drove down drug costs without compromising outcomes. Abarca implemented a dynamic formulary made possible by its modern and flexible platform. This optimized therapies in high-volume drug classes, and even included generic-to-generic switches.

2) Lower network pricing. Abarca delivered the best performing state MAC list in the country, including an online appeals management portal with an average turnaround time of just three days.

3) Outcome-based agreements. Under a first-of-its-kind agreement with the drugmaker Biogen, Abarca tied the net cost of certain high-cost medications provided to plan members with their efficacy and safety. This brought value-based care to an entirely new level.

4) Better data. As every payer knows, not all PBM data is meaningful or useful. Through its smart analytics platform, Abarca provided real-time data that was immediately actionable.

5) Improved rebates and increased administrative fees. Abarca's team includes experts in negotiating with pharmaceutical manufacturers. After analyzing the data, they helped the program achieve a significantly higher rebate income, 100% of which was passed through to the Medicaid program. Inflation protection was also built in to protect the program from the impact of double-digit price increases seen during the past five years.

THE RESULTS

More than ten years later, the program continues to improve:

- Rebates have grown an average of 25% annually.
- Net drug costs have remained under \$30 PMPM -- less than half of the national average, and one third of the PMPM cost of some states.
- Costs were reduced without restricting access or quality for members.
- A long-term partnership based on trust was established between the Medicaid program, drug manufacturers, physicians, pharmacies, and Abarca.

+25%

Rebate growth annually

<\$30

Net drug costs