

Do Rx rebate programs really save money? A case study.

Many insurance companies today use a sales strategy that promotes high formulary rebates for self-funded groups. These programs encourage the carrier to keep the rebates and use this revenue to lower the ASO administrative fee.

While this tactic looks appealing on paper, the large rebate credits can drive higher overall costs and cost the employer (and their employees) more money in the long run.

How does it work?

Insurance carriers offer guaranteed high-dollar rebates on a formulary that pushes expensive brand-name and specialty drugs. This type is known as an open formulary, meaning it's lightly managed or not managed at all. Members have access to high-cost brand-name medications, many of which have no preauthorization requirement.

Many ASO employer groups tend to prefer arrangements that allow the carrier to keep all rebates to use as a credit against their monthly administrative fee. Why? Because they feel they are getting a substantial discount on medications that also result in lower administrative fees.

What does this mean to employees?

An open formulary with large rebates isn't always in the best interest of the group's employees.

- Because the formulary is set up to encourage use of brand-name and high-cost drugs, the total prescription costs of employees will increase dramatically.
- The group may see substantial prescription rebates, but it's offset by the much higher prescription claims costs.

Cost spike

Prescription rebate programs can make it challenging for an employer group to recover from the cost spike. Once employees are established on high-cost medications, it's difficult to remove that access without complaints and pushback.



Geisinger's approach

At Geisinger Health Plan (GHP), our focus is on helping employer groups manage their total prescription claims cost, as well as the total cost of caring for their employees. This aligns with our organization's mission to make better health easier — by improving access and affordability for all. Employees pay less for generic medications that have the same efficacy and produce the same clinical outcomes as the name brands.

Our Triple Choice formulary benefit assigns each prescription medication to one of three different tiers, each representing a set copay amount. The copay depends on the prescription medication rider.



Discover the Geisinger advantage

- Generic drugs with the same efficacy and clinical outcome as a brand-name drug come in at a fraction of the cost, saving the employer group and the employees hard-earned money.
- The formulary is a closed, non-exclusionary formulary designed to meet our members' needs in an economically responsible manner.
- Without the substantial rebates, there's no credit toward the administrative fee. However, the difference is offset by the savings incurred with using generics and lower-tier medications.
- Because we're an integrated health system, our network providers can access a member's full prescription history. In turn, this results in more proactive testing, early detection and early intervention — heading off serious conditions and higher-dollar claims.



GHP focuses on the total lowest net cost



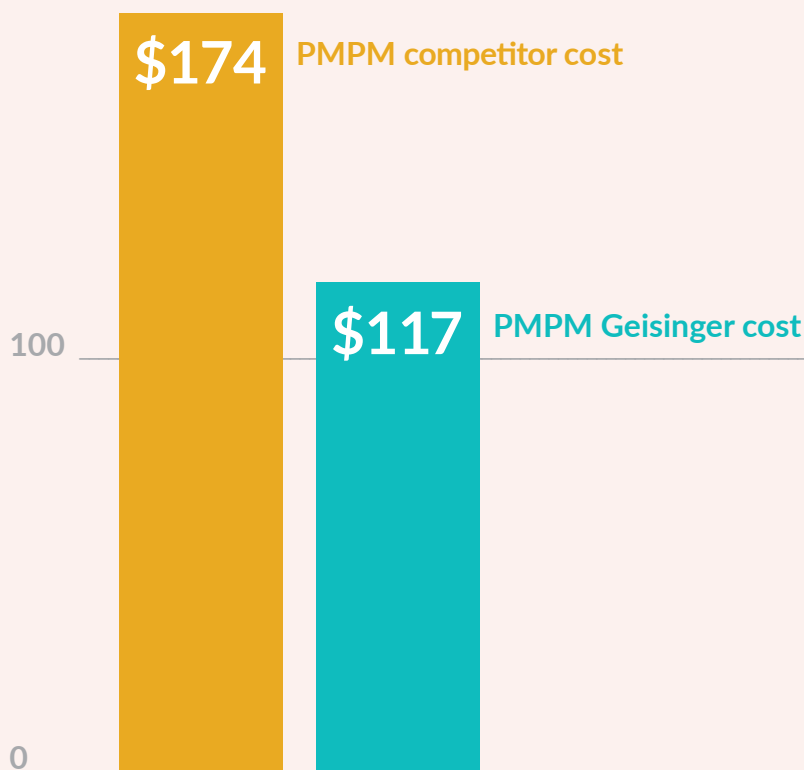
Case study example

A group of 500 covered employees is fully insured with Geisinger medical and prescription coverage. The group is approached by a competing insurance carrier to move to an ASO and receive a considerable prescription rebate credit to decrease administrative fees. The group switches to the competing carrier as of Jan. 1, 2023. An analysis shows the 2022 prescription cost was \$117 per member per month (PMPM) with Geisinger. The year-to-date cost with the competitor increases by 50% to \$174 PMPM. Based on 1,093 total covered members (employees plus dependents), this represents an annual increase in total prescription claims spend of over \$768,000.

This significant increase is a result of moving from a situation in which Geisinger's formulary allowed for lower-cost alternatives with equal clinical outcomes to a carrier that promoted high-cost, rebated drugs. The client saved \$40 PMPM on administrative fees with the rebate guarantees. **However, the drug cost went up \$57 PMPM, resulting in a net cost increase of \$17 PMPM.**

The big picture

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While the administrative fees were reduced by the prescription rebates, the 2023 claims with the competitor cost far more than the claims from 2022 with Geisinger.

Ultimately, that cost the employer group and its employees more money.

\$768,000

Total prescription claim spend annual increase with competitor

Savvy employer groups are realizing that Geisinger Health Plan is their best partner in managing their overall prescription program with our Triple Choice formulary.

Because GHP focuses on getting employer groups and their employees the best of everything.

The best care. The best price. The best outcomes.