

HOW PERFORMANCE-BASED CONTRACTS WORK FOR PHARMACIES

Performance-Based Pharmacy Reimbursement Promotes Affordable, High-Quality Health Care



1

Pharmacy enters into contract with pharmacy benefit manager (PBM) that includes performance standards.



2

Pharmacist dispenses medication to patient. PBM pays pharmacy at point of sale the contractual amount for the ingredient costs and dispensing fee, and the patient pays cost-sharing amount.



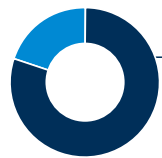
3

Per the PBM-pharmacy contract, payments are retrospectively reconciled after the point of sale based on agreed-upon value-based benchmarks.

Payments can be increased or decreased based on an individual pharmacy's performance.

In addition to payment terms, these pharmacy contracts typically include performance standards with payment adjustments based on:

- ✓ Generic dispensing rate
- ✓ Patient adherence rate
- ✓ Prescription refill rate
- ✓ Counseling services
- ✓ Dispensing volume
- ✓ Opioid dispensing oversight
- ✓ Meeting Medicare Star Rating measures
- ✓ Other value-based patient outcome measures



80% of independent pharmacies use pharmacy services administrative organizations (PSAOs) which negotiate contracts with PBMs on behalf of thousands of pharmacies.

PCMA supports patients always paying the lesser of the cash price or their plan's cost-sharing amount at the point of sale.



Performance-Based Contracts:

- ✓ **ARE** commonly used for all providers in all parts of the health care system.
- ✓ **ARE** negotiated and signed by pharmacies (or their representatives).
- ✓ **DO** lower premiums and cost sharing for patients.
- ✗ **Do NOT** impact point-of-sale patient cost sharing.
- ✗ **Do NOT** assess a retrospective "fee" on pharmacies, but **DO** use quantifiable measures to reward pharmacy performance.

Pay for Performance in the Pharmacy Benefit

For too long, pharmacy has lagged behind other areas of health care in value-based reimbursement. Pay-for-performance programs exist in Medicare, Medicaid and commercial markets to give hospitals, physicians, and other clinicians incentives to provide the most high-quality, cost-effective care. PBMs are using this effective tool to give pharmacies the same incentives.

PCMA is the national trade association representing pharmacy benefit managers, which administer prescription drug benefits for more than 266 million Americans with health coverage provided through large and small employers, health insurance plans, labor unions, and public programs.