

REBATES...THROUGH THE LOOKING GLASS

Craig Stern, RPh, PharmD, MBA
June 15, 2009
Western Claim Conference

PRO PHARMA
PHARMACEUTICAL CONSULTANTS, INC.

OUTLINE

- Definition / Rationale
- Types of Rebates – Differing Perspectives
- Critical Issues – Sleep Deprivation?
- Transparency – What is the Issue?
- Audit Prep – What Do We Need?
- Follow the Money – Earned vs. Payments

WHAT ARE REBATES?

- ❖ Volume Purchasing Incentive
- ❖ Offset to Drug Costs
- ❖ Cover Administrative Expenses
- ❖ Medicare Part D: Patient Relief for Drug Spend

TYPES OF REBATES

- Guaranteed rate per claim
 - Pay per rebatable brand claim
 - Pay for all brand claims
 - Pay for all claims
- Percentage of rebate collections

REBATES KEEP ME UP AT NIGHT(?)

- Purchaser Expectations
- Contract Terms
- Plan Oversight

REBATES KEEP ME UP AT NIGHT(?)

- Plan oversight
 - Audit requirements
 - Medicare Part D
 - True-up payments
 - ERISA
 - Sarbanes-Oxley requirements
 - TIPPs criteria

TRANSPARENCY

- ❖ **Cash Outflow** – plan sponsor/purchaser pays for prescription claims
- ❖ **Cash Inflow** – amounts paid by PhRMA to claim administrator for distribution to plan sponsors
- ❖ **Contract Terms**

Prior to the Rebate Onsite Audit, Require the Following From the PBM:

- PBM's process flow chart for Rebate Programs and the accounting for rebates
- Responsible departments and contacts for each step delineated in the process chart
- List of rebatable NDC by quarter, or payment period

Prior to the Rebate Onsite Audit, Require the following From the PBM:

- All applicable Formularies (PBM) used during this period.
- Any communications by (PBM) to (Client) during the audit time frame (pursuant to appropriate sections of the contract)

FOLLOW THE MONEY!

1. List of rebatable drugs
2. Tabulate claims that earn rebates
3. Value each rebatable claim
4. Amount submitted to PhRMA

FOLLOW THE MONEY!

(continued)

5. Amount paid by PhRMA to claim administrator
6. Reconciliation of non-rebatable claims
7. Amount distributed to purchaser
8. Inventory of unpaid rebates

REBATES ARE COMPLICATED FOR A REASON

- What do you want?
- Set your goals for payment expectations and oversight
- It's all in the contract!



PRO PHARMA

PHARMACEUTICAL CONSULTANTS, INC.

P.O. Box 280130
Northridge, CA 91328-0130
(818) 701-5438
(818) 701-0249 Fax

Email: craig.stern@propharmaconsultants.com

...or Visit Our Website at:
www.propharmaconsultants.com

PRO PHARMA
PHARMACEUTICAL CONSULTANTS, INC.