



Optimizing 340B for Patients Covered by a Hospital's Own Health Plan

PBM & 340B Claims Integration and Analysis

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This paper explores how a 340B-eligible health system can leverage its control of its own health plan to lower its *net* drug benefit costs by increasing the compliant-usage of 340B (which generates margin by the Covered Entity hospital(s)). This requires integrating data from both the health plan's PBM and the Covered Entity's 340B vendor, and then analyzing from both a "population health" and "provider" perspective. From the PBM data, we determined that the 1,417 covered lives (with a PBM claim) represent to a Covered Entity, as a "target population":

- Potential 340B savings for FY21: **\$2.4 million**
- 340B potential savings per employee: **\$2,800 per employee**

From the 340B claims data, when matched with the PBM data, we calculated that:

- Actual 340B savings for FY21: **\$0.9 million**
- 340B "capture rate": **38%** (\$0.9 million / \$2.4 million)

This paper explores how to increase the 38% capture rate, targeting the \$1.5 million savings "gap."

Overview

In the area of medications and 340B, we have observed that data silos exist where no one vendor currently owns both silos (specifically 340B and own-employee-plan PBM). We have developed actionable reports and tools to integrate efforts by a health system's operations leadership and by HR to leverage 340B for the employee health plan (and then repeat for local employers). The following white paper details analyses performed for one of our clients; our goal was to document the unrealized 340B opportunity for the clients' covered lives and identify where the gaps are. We received both PBM claims data and 340B compliance data; the provider and clinic names have been altered to provide anonymity.

Background

Our client's own health plan for its roughly 1,500 employees and dependents (with a claim) controls \$3.8 million annually in prescription drug expenditures ("total allowable", which is paid claims plus member payments). This document analyzes how well our client, "Health System", as a 340B Covered Entity, leverages 340B. We used the Health System's qualified 340B claims in combination with PBM claims, with the goal of analyzing PBM claims that did not leverage 340B. This enabled us to identify specific actions to pursue to "qualify" more claims as 340B-eligible.

As a 340B Covered Entity, the members of the Health System’s health plan differ from any other patient population that the Health System might target for 340B in three vital ways:

1. The Health System has access to PBM data (in addition to 340B qualified claims data)
2. The Health System, as the employer, has control over benefit design (which can encourage usage of targeted providers and pharmacies) and the approval process for high-cost prescriptions (via prior-auth)
3. The Health System, as the manager for 340B child sites (including Multispecialty Clinic 1, Multispecialty Clinic 2 and Primary Care Clinic), has access to EMR / eRx data, to understand scripts written (including those scripts that are never dispensed)

The terms that are used throughout this document are defined as:

- Members: total number of individual Health System employees and dependents
- PBM Claims: total number of scripts for each member
- Total Allowable: total cost of the scripts
- Potential Savings: 340B potential calculated by subtracting the 340B drug cost and a \$20 dispensing fee per claim from the Total Allowable
- Actual Savings: the “340B savings” from claims that qualified for Health System employees and dependents
- 340B Opportunity: the gap between the Potential Savings and the Actual Savings

The 340B opportunity is the amount the Health System stands to gain in drug cost savings, if more prescriptions were deemed 340B-eligible and were dispensed in-network:

<u>Group Name</u>	<u>Members</u>	<u>PBM Claims</u>	<u>Total Allowable</u>	<u>Potential Savings</u>	<u>Actual Savings</u>	<u>340B Opportunity</u>
Health System	1,417	23,185	\$3,786,829	\$2,390,818	\$907,082	\$1,483,736

The “capture rate” (Actual / Potential) is only 38%. The Health System has the opportunity to increase the 340B drug cost savings for the members in its own health plan by almost **\$1.5 million**, using FY21 data. The following pages contain drill-down analyses of this \$1.5 million opportunity by provider, pharmacy, and members, to guide efforts to capture this opportunity.

Nomenclature can be confusing when discussing 340B for a health system’s own plan. 340B savings accrue to the covered entity (which would be one or more hospitals of the health system) and those savings are typically treated as margin by the covered entity’s pharmacy. Unless the pharmacy transfers the net savings of 340B to the health plan’s financial accounts, the health plan’s costs will not be reduced, but the covered entity’s net income will be higher. As a health system, since revenues were not increased, from an accounting perspective on a consolidated basis, costs were decreased.

Outside of this own health plan setting, we refer to 340B “margin” in those situations where a health system generates 340B savings on prescriptions written by its providers for which the cost of those prescriptions is borne by a payor other than the health system (which is the case usually for almost all patients treated by a health system).

Providers By Site Type and Location

For the initial analysis, providers were broken out into 4 groups, based on their practice location (per the Health System website and the NPI registry). We assume that all scripts are written in that providers’ “main practice location”, as this analysis does not take into account the possibility of scripts being written elsewhere by that provider.

Within each group, the clinic locations are sorted by overall 340B opportunity, meaning the gap between the potential 340B savings (calculated from the PBM allowable) and the actual 340B savings. The claims in this table are for all members across all pharmacies for FY21.

As shown, providers are broken out into the following 4 categories:

	<u>340B</u> <u>Oppty</u>	<u>% of</u> <u>Oppty</u>
1A. Providers who practice in Health System Child Sites	\$303,005	20%
1B. Providers who practice in “Controlled” Sites (e.g., RHCs)	\$154,755	10%
2. Health System Tier 2 Providers	\$168,426	12%
3. All Other Providers	\$857,549	58%
Total	\$1,483,736	100%

	<u>Location</u>	<u>Members</u>	<u>PBM Claims</u>	<u>Total Allowable</u>	<u>Potential 340B savings</u>	<u>Actual 340B savings</u>	<u>340B Opportunity</u>
<u>Child Sites</u>	Multispecialty Clinic 1	132	1,429	\$213,254	\$158,654	\$13,673	\$144,981
	Primary Care Clinic	350	4,680	\$747,003	\$570,347	\$456,104	\$114,243
	Multispecialty Clinic 2	618	4,358	\$696,594	\$452,682	\$412,713	\$39,969
	Neurology Center	24	145	\$10,151	\$4,015	\$1,460	\$2,555
	Urology Clinic	33	133	\$3,089	\$1,290	\$43	\$1,247
	Cancer Center	3	5	\$70	\$12	\$1	\$11
	Sub-Total 1A: Child Sites	884	10,750	\$1,670,161	\$1,187,000	\$883,995	\$303,005
<u>Controlled Sites</u>	Children's Medical Clinic	108	470	\$115,588	\$85,336	\$163	\$85,173
	Family Medical Center	53	442	\$46,318	\$29,089	\$514	\$28,575
	Women's Health Clinic	131	869	\$45,413	\$26,254	\$210	\$26,044
	Family Medical Center 2	22	367	\$26,870	\$14,962	\$0	\$14,962
	Sub-Total 1B: Other Clinics	301	2,148	\$234,189	\$155,642	\$887	\$154,755
<u>Tier 2 Providers</u>	Cardiology Center	117	1,151	\$83,094	\$57,104	\$6,619	\$50,485
	Weight Management Center	13	56	\$35,674	\$22,838	\$0	\$22,838
	Women's Medical Clinic	115	690	\$39,632	\$22,061	\$1,166	\$20,895
	OBGYN Center	83	505	\$27,265	\$15,383	\$1,271	\$14,111
	Multispecialty Center	31	244	\$23,721	\$11,416	\$2,166	\$9,250
	Center for Women	26	210	\$18,285	\$11,345	\$2,475	\$8,871
	Ophthalmic Associates	20	36	\$7,781	\$7,021	(\$15)	\$7,036
	Oncology Associates	17	113	\$9,983	\$7,406	\$1,902	\$5,503
	Pain Management Center	35	464	\$15,395	\$5,184	(\$36)	\$5,221
	External Hospital	6	21	\$4,321	\$3,555	\$0	\$3,555
	Hospitalist Group	145	415	\$12,496	\$6,107	\$2,685	\$3,421
	Total Pain Center	28	281	\$7,459	\$3,010	(\$121)	\$3,131
	Eye Clinic	19	48	\$3,060	\$2,148	\$3	\$2,145
	Women's Wellness	6	39	\$3,166	\$1,797	\$329	\$1,468
Sub-Total 2: Tier 2	621	5,076	\$320,671	\$186,969	\$18,542	\$168,427	
All Others (Category 3)	658	5,211	\$1,561,808	\$861,206	\$3,658	\$857,549	
Total	1,417	23,185	\$3,786,829	\$2,390,818	\$907,082	\$1,483,736	

Opportunity: Resolve Process Issues (Category 1A)

The first group of providers in the previous table, those practicing in a 340B child site, represent 340B process issues that need to be resolved.

The following table shows the claims filled at the Health System’s on-site Pharmacy and other Health System contract pharmacies for July – September 2021 for providers that practice in the Health System’s registered child sites. If all these claims were indeed written in those locations, there seems to be a 340B process issue.

Child Sites	Members	PBM Claims	Total Allowable	Potential 340B savings	Actual 340B savings	340B Opportunity	Capture Rate
Multispecialty 1	72	357	\$83,716	\$61,325	\$685	\$60,641	1%
Primary Care	316	1,159	\$188,026	\$128,303	\$116,653	\$11,651	91%
Multispecialty 2	232	1,132	\$200,092	\$159,837	\$149,767	\$10,070	94%
Neurology Center	12	33	\$3,948	\$1,853	\$1,188	\$665	64%
Urology Clinic	13	34	\$602	\$114	(\$117)	\$231	0%
Cancer Center	1	1	\$6	\$0	\$0	\$0	-
Total	550	2,716	\$476,390	\$351,433	\$268,176	\$83,257	76%

To address this \$330,000 annualized opportunity, next steps include:

- Receiving EMR (eRx) data to correct this leakage
- Working with the compliance firm to retrospectively qualify for these claims
- Using eRx data to qualify claims going forward

In an effort to better understand the large 340B opportunity at the Health System’s own Pharmacy, we pulled the Non-Qualified claims for FY21 (claims that did not qualify for 340B for all patients, not only the Health System’s own plan). The following table shows the breakdown of all of the Health System Pharmacy’s non-qualified claims and the reason / category for why they didn’t qualify for 340B.

Category	2020 Q4		2021 Q1		2021 Q2		2021 Q3		FY21 TOTAL		
	Claims	Total Claim Revenue	Claims	Total Claim Revenue	Claims	Total Claim Revenue	Claims	Total Claim Revenue	Claims	Total Claim Revenue	
Total Non Qualified Claims	14,210	\$1,182,315	12,250	\$1,115,297	11,860	\$1,074,152	11,330	\$1,129,658	49,650	\$4,501,422	
Encounter Match (N)	5,017	\$462,987	4,959	\$462,082	5,432	\$468,041	5,359	\$424,691	20,767	\$1,817,801	EMR fix
Diagnosis Match (N)	6,731	\$683,340	5,641	\$621,616	5,421	\$558,541	5,046	\$616,304	22,839	\$2,479,801	EMR fix
Catalog Match (N)	2,269	\$28,515	1,364	\$20,347	579	\$16,371	338	\$10,728	4,550	\$75,960	
Orphan Drugs			8	\$83	123	\$9,651	202	\$32,855	333	\$42,588	
Exclude Drug Class (N)	154	\$3,959	214	\$6,658	227	\$7,076	242	\$8,966	837	\$26,659	
Exclude Drug Class (Y) (not in the above)	31	\$1,160	45	\$1,317	59	\$8,918	126	\$19,946	261	\$31,341	
All Others	8	\$2,355	19	\$3,194	19	\$5,553	17	\$16,169	63	\$27,272	

We hypothesize that the first two categories, a missing Encounter Match (no visit with the provider within the “look back” period) and a missing Diagnosis Match (diagnosis from provider does not match the script conditions) could be resolved / requalified if the compliance vendor had access to EMR (eRx) data.

Opportunity: Collaborative Practice Agreements (Two practices within Category 3)

The following table reviews the out of network opportunity (leakage) by analyzing the top 16 providers in the “All Others” category, showing specialty and hospital affiliation:

<u>Provider</u>	<u>Specialty</u>	<u>Location</u>	<u>Members</u>	<u>PBM Claims</u>	<u>Total Allowable</u>	<u>Potential 340B savings</u>	<u>Actual 340B savings</u>	<u>340B Opportunity</u>
Washington, George	Rheumatology	Hospital 1	7	71	\$185,725	\$144,327	\$3,737	\$140,591
Adams, John	CNP Neurology	Hospital 1	1	14	\$80,512	\$80,210	\$0	\$80,210
Jefferson, Thomas	Pediatric Pulmonology	Hospital 2	1	97	\$364,313	\$55,149	\$0	\$55,149
Madison, James	Rheumatology	Hospital 1	1	13	\$55,421	\$47,217	\$0	\$47,217
Monroe, James	Dermatology	Dermatology Clinic	40	124	\$87,173	\$46,649	\$0	\$46,649
Jackson, Andrew	Pediatric Rheumatology	Hospital 2	1	13	\$77,899	\$45,054	\$0	\$45,054
Van Burren, Martin	CNP Rheumatology	Hospital 1	3	28	\$45,943	\$36,579	\$0	\$36,579
Harrison, William	Rheumatology	Medical Group	1	10	\$60,052	\$34,696	\$0	\$34,696
Tyler, John	CNP Rheumatology	Hospital 1	1	11	\$34,517	\$27,446	\$0	\$27,446
Polk, James	FNP	Hospital 3	1	17	\$24,986	\$24,524	\$0	\$24,524
Taylor, Zachary	Endocrinology	University Medical Center	1	37	\$32,389	\$22,611	\$0	\$22,611
Fillmore, Millard	PA Dermatology	Dermatology Clinic	30	92	\$33,221	\$19,874	\$0	\$19,874
Pierce, Franklin	Family Medicine	Family Medicine Clinic	1	77	\$18,176	\$16,793	\$0	\$16,793
Buchanan, James	Family Medicine	Hospital 4	1	73	\$21,846	\$14,141	\$0	\$14,141
Lincoln, Abraham	Family Medicine	Hospital 5	1	9	\$16,692	\$13,286	\$0	\$13,286
Johnson, Andrew	Pediatric Rheumatology	University Medical Center	1	23	\$12,349	\$12,138	\$0	\$12,138
Sub-total: Top 16			89	709	\$1,151,214	\$640,693	\$3,737	\$636,957
Others	-	-	604	4,502	\$410,594	\$220,513	(\$79)	\$220,592
Total			658	5,211	\$1,561,808	\$861,206	\$3,658	\$857,549

The total 340B opportunity from these top 16 providers is \$637,000 which is roughly 40% of the Health System's 340B opportunity for FY21 from its own employees and dependents. We hypothesize that green highlighted providers above are part of the same Rheumatology group. The highlighted rows above (green and blue) represent two groups (common referral specialist) to focus on for a collaborative practice agreement:

- Dr. Washington (rheumatology) and his NPs account for \$250,000 in 340B opportunity (across 7-10 members)
- Dr. Monroe (dermatology) and his PA account for another \$65,000 (across 40+ members, 1 of which accounts for \$30,000 of the opportunity).

Recommendations / Next Steps:

- Establish on-going relationships with Dr. Washington and Dr. Monroe in order to implement Collaborative Practice Agreements as a requirement for prior authorization
- Add rigor to (but not directly change) their current referral patterns

Opportunity: Prior Authorization & Closed Loop (Categories 1B, 2, 3)

The next analysis focuses on the patients treated by providers in the Health System's Controlled Sites (Groups 1B), by the Health System Tier 2 providers (Group 2), and by all other providers in Group 3 excluding Rheumatology and Dermatology. Of all the members in those groups, 21 of them have a total allowable of greater than \$10,000. The combined total FY21 allowable for these 21 patients is \$948,057.

From a process standpoint, a "closed loop process" will need to be set up for these 21 people. We recommend that anyone from this group of members, anyone with an expensive drug that requires a prior authorization, should "kick off" a closed loop referral. Prior authorization should be leveraged for these members to establish a "referral home" with a PCP at any of the child sites (Primary Care Clinic, Multispecialty Clinic 1 or 2).

Next Step: Design the referral / closed loop process for these 21 patients and for all new patients for whom a prior-auth is required per the Health System's PBM plan.

Top Pharmacies by 340B Opportunity

Next, we examine pharmacies in the same way. As the data shows, the Health System's on-site Pharmacy has the largest gap between potential and actual 340B savings. The pharmacies with \$0 actual 340B savings are non-contract pharmacies meaning their opportunity is only available if those scripts are filled at one of the 7 Health System contract pharmacy locations. Since the Health System on-site Pharmacy is a contract pharmacy for the Health System, we hypothesize that the majority of those scripts should qualify for 340B.

<u>Pharmacy</u>	<u>Members</u>	<u>Claim Count</u>	<u>Total Allowable</u>	<u>Potential 340B savings</u>	<u>Actual 340B savings</u>	<u>340B Opportunity</u>
Hospital Pharmacy	1,233	20,241	\$3,300,341	\$2,293,628	\$858,274	\$1,398,609
Walmart 1	10	115	\$23,920	\$14,674	\$0	\$14,674
CVS	1	74	\$21,880	\$14,153	\$0	\$14,153
Specialty Pharmacy1	2	3	\$16,661	\$11,590	\$3,994	\$7,596
Specialty Pharmacy2	1	4	\$7,389	\$5,583	\$0	\$5,583
Walgreens	24	127	\$8,441	\$5,073	\$0	\$5,073
Specialty Pharmacy3	1	3	\$5,542	\$4,582	\$0	\$4,582
Walmart 2	28	126	\$22,446	\$11,190	\$7,667	\$3,523
Express RX	11	115	\$6,277	\$3,183	\$0	\$3,183
Local Pharmacy	15	222	\$6,091	\$3,168	\$0	\$3,168
Total	1,278	21,030	\$3,418,987	\$2,366,824	\$906,680	\$1,460,144

Of the top 10 pharmacies, three of them are already contract pharmacies (highlighted in orange above). Contract pharmacies account for 98% of the Total Allowable.

We recommend adding another pharmacy to the contract pharmacy network: Walmart 1.

Conclusion

For FY21, out of the \$2.4M in potential 340B savings for the Health System’s own employees and dependents, only \$907,000 in 340B savings was realized, representing an overall **38%** capture rate. By targeting specific providers, members, and NDCs, the Health System could greatly improve this capture rate and close the gap between potential and actual 340B profit.

Category 1A

- A. Fixable 340B process issues would generate roughly **\$300,000** in annual savings going forward (and there’s an opportunity to re-coup perhaps half of that in retro adjustments).
- B. We recommend using EMR (eRx) data to correct this leakage and working with the compliance firm to retrospectively qualify for these claims.

Category 3 (Rheum and Derm)

- C. Two referral specialists (and their APPs) in Derm and Rheum commonly treat the Health System’s members (40+ and 7+, respectively), and we recommend that the Health System and its PBM use the prior-auth process to require that those patient-physician relationships execute a collaborative practice agreement with the Health System. Next steps are discussing this arrangement with Drs. Washington and Monroe.

Categories 1B, 2, 3 (excluding Rheum and Derm)

- D. A limited number of members, 21, have high-value scripts with a total allowable of over \$10,000. In FY21, these 21 members had a combined total allowable of roughly \$950,000, with a potential 340B opportunity of around \$460,000.
 - a. 7 members are treated by providers located at the Health System’s controlled sites (Category 1B) with a combined total allowable of \$95,670.
 - b. 9 members are treated by Health System Tier 2 providers (Category 2) with a combined total allowable of \$33,472.
 - c. 20 members are treated by providers in Category 3 with a combined total allowable of \$818,915.
- E. We recommend that the Health System and its PBM use the prior-auth process to require that those referral specialists obtain and document a referral from a Health System PCP (in a Child Site), so the “closed loop” process can be used for 340B eligibility.

Pharmacy Network

- F. A next step is to explore benefit design issues and how to steer patients to be in network (correct site, but wrong pharmacy), if this is worth “the effort.”

These initiatives represent **\$1.1M** in 340B Opportunity for the Health System’s own health plan.

340B Process Issues	\$300,000
Collaborative Practice Agreements	\$315,000
Prior Auth / Closed Loop (for high-cost members)	\$460,000
Pharmacy network expansion (1 location)	<u>\$15,000</u>
TOTAL	\$1,090,000

Once implemented, the Health System’s 340B capture rate on its own health plan would be 84%.