

Appendix A: Employer Perspective: Comparison of Prescriptions paid through the PBM versus those paid through the direct contract with Towncrest



Objective: Compare employer costs under the former PBM contract vs. costs for the employer had they been using the pharmacy direct contract

Six months of financial data for 412 prescriptions dispensed to employees and covered by the former PBM from July 1, 2018, to December 31, 2018, were used in analyses to compare costs under the PBM to those had the same prescription been paid under the pharmacy’s direct contract. The copay structure for the direct contract is \$4 for generic and \$25 for brand name medications versus \$8 for generic and \$35 for brand with the PBM contract.

Table A.1. Comparison of PBM vs. Pharmacy Direct Costs

	PBM			Direct Contract			Difference
	Prescription Price	Patient Co-pay	Employer Cost	Prescription Price	Patient Co-pay	Employer Cost	Employer Net Savings
Total \$	30,531	4,681	25,851	22,949	2,763	20,186	5,664
\$ Per Rx	74.11	11.36	62.74	55.70	6.71	49.00	13.74



Comment

Table 1 shows that under the pharmacy direct contract the employer pays on average \$13.74 (18.5%) less per prescription compared to the PBM contract.

Table A.2: Example Comparison of generic and brand name medication

	Prescription Price (PBM)	Patient Co-pay (PBM)	Employer Cost (PBM)	Prescription Price (Pharmacy) ¹	Patient Co-pay (Pharmacy)	Employer Cost (Pharmacy)	Employer Net with DC
Metoprolol XR #60	77.91	8.00	69.91	29.55	4.00	25.55	44.36
Novolog	310.80	35.00	275.80	284.80	25.00	259.80	16.00
Bystolic #30	142.42 ²	35.00	107.42	148.52	25.00	123.52	-16.10

¹ Cost-plus for invoice cost plus \$12 dispensing fee.

² Pharmacy cost exceeded PBM reimbursement to the pharmacy by \$14.87 representing a loss to the pharmacy. PBM spread calculated at 20.77.



Key Quotes

“I’d say it’s three things. It’s the cost, it’s better control over the plan, and just the personal connection that we have.” – Tom, Small Business Owner

“If you cut out the middlemen and work directly with the local pharmacy, that pharmacy can establish a selling price, where they get a better margin. The employers get a better price. And if the employees are steered to that pharmacy by having a better benefit as a preferred provider, everybody wins.” – Howard, Insurance Agent

Appendix B: Pharmacy Perspective: Prescriptions paid through the direct contract with the employer



Objective: Assess the pharmacy's financials associated with the direct contract

Six months of financial data for 412 prescriptions dispensed to employees of the contracted employer and covered by the former PBM were used in analyses to compare costs under the PBM to those under the direct pharmacy contract.

Table B.1. Pharmacy Financials Associated with the Direct Contract

Financial Component	Dollars
Total Revenue	22,949
Total Costs (invoice + 9.82 COD)	22,050
Net Profit	899

¹ COD=Cost of Dispensing. From Myers and Stauffer's analysis of the average cost of dispensing Medicaid prescriptions in Iowa, prepared for the Iowa Department of Human Services.

- Total Revenue is the total price for 412 prescriptions under the direct contract (See employer perspective)
- Total Costs are imputed based on the cost-plus arrangement of the direct contract
- Of the total revenue, \$4,944 reflects the 412x\$12 per prescription fee for operating expenses, leaving \$18,005 as the cost of goods sold.
- The \$12 dispensing fee exceeds the estimated average cost of dispensing (COD) for the state of Iowa which was \$9.82 in 2018. This difference between the professional fee and the estimated cost of dispensing yields the derived net profit.

A net profit of \$899 for 6 months of prescriptions (\$2.18x412 prescriptions) is a conservative estimate which should be considered alongside several important considerations.

- Many PBM contracts may offer \$2 per prescription for COD which is significantly lower than the 9.82 COD associated with this direct contract.
- The pharmacy is never underwater (reimbursed less than COGS) on any prescriptions with a cost-plus model. Research has reported 15% of generic prescriptions are underwater¹
- This estimate does not include the 1.50 transaction fee charged to the pharmacy in the second iteration of the direct contract where Towncrest contracted with a processor to process claims, calculate copays, and provide reports to the employer.²
- This does not include any wholesaler rebates to the pharmacy on invoices.
- Lastly, this does not the cost of the value-added services offered at no cost to employees of the direct contract. Many of these are already free to Towncrest patients and others have not been used in large numbers like adherence packaging or medication reviews.

Comment

Towncrest has found the benefits of the direct contracting arrangement to be superior to many of their other arrangements as it allows for more transparency and predictability in pricing. Towncrest also benefits from being a preferred pharmacy which promotes patient retention.

¹ Murry L. Third-party reimbursement for generic prescription drugs: The prevalence of below-cost reimbursement in an environment of maximum allowable cost-based reimbursement. JAPhA 2018 Jul 1;58(4):421-5.

² This comment applies to future prescriptions and not the 412 studied prescriptions.

Appendix C: Drug therapy problems and pharmacist interventions for patients covered under the direct contract

Patients covered under the direct contract received Continuous Medication Monitoring and other enhanced services as a benefit of the direct contract. Data were exported from the pharmacy's clinical documentation software for direct contract patients from April 2019 to March 2020.

Table C.1: Patient demographics (n=48)

Characteristic	n (%)	Mean (SD)
Male	27 (56.3)	
Age		41 (19.0)
Number of medications		1.2 (2.1)
Enrolled in Medication synchronization	11 (22.9)	
Had at least 1 pharmacist intervention	25 (52.1%)	
Total interventions if had 1 or more (n=25)		5.6 (6.8)

Table C.2: Pharmacist Interventions (n=140)

Intervention	n (%)
Drug Therapy Problems -Identified and Addressed	72 (51.4)
Patient consulted	34 (24.3)
Lab values recorded	24 (17.1)
Immunization administered	4 (2.9)
MTM completed	3 (2.1)
Patient screening, test	2 (1.4)
Prescriber consulted	1 (0.7)
SOAP note written for above	8

Table C.3: Drug therapy problem recorded (n=72)

Drug therapy problem	n (%)
Compliance issue	37 (51.4)
Therapeutic duplication	25 (34.7)
High-risk drug for >65 y.o.	8 (11.1)
Drug-drug interaction	2 (2.8)

Comment

About half of the patients covered under the direct contract had 1 or more interventions by the pharmacist. On average these patients had 5 interventions, with five patients receiving 12 or more interventions, suggesting a high level of medication monitoring by the pharmacists. Over half of pharmacist interventions involved addressing drug therapy problems (51.4%). The most common drug therapy problems (DTPs) addressed were adherence issues and therapeutic duplications. It is important to communicate to employers that some employees will warrant more attention than others and that the pharmacy is taking care to monitor all their employees, especially those who need the most care.

Appendix D: Employee Satisfaction Survey Results

Satisfaction surveys were mailed to 20 employees in May 2022 with a reminder and repeat mailing in June, 2022. Of these, 9 responded for a response rate of 45%.

Table D.1: Satisfaction with Towncrest Service

Think about your experience at Towncrest Pharmacy over the past 12 months. How often did the pharmacists and staff do the following?	n	Mean	(SD)
Treat you with courtesy and respect?	9	3.89	0.33
If you wanted to talk to the pharmacist about your health or medicine, how often were you able to talk to the pharmacist as soon as you wanted to?	7	3.86	0.38
Listen carefully to you?	7	3.57	0.79
Spend enough time talking with you?	7	3.57	0.79
Show concern for you?	7	3.57	0.54
Think about your experience at Towncrest Pharmacy over the past 12 months. How often did the pharmacists and staff do the following when you had a new prescription?	n	Mean	(SD)
tell you how often and when to take your medicine?	6	3.00	1.55
tell you what to avoid when taking your medicine?	6	3.00	1.55
tell you what to do if you had a bad reaction?	6	2.50	1.64
talk about whether it would be safe to take the new medication along with your regular medicines?	6	2.50	1.64
Think about your experience at Towncrest Pharmacy over the past 12 months. How often did the pharmacists and staff do the following?	n	Mean	(SD)
ask you if you were having problems with your medicines?	9	2.22	1.30
talk to you about your health?	6	2.17	1.47
talk to you about your health?	9	2.00	1.12
If you had a new health problem, how often did you ask the pharmacist for advice about how to treat the problem?	9	2.00	1.32

1=never; 2=Sometimes; 3=Often; 4=Always

Comment

Respondents found pharmacists and staff to be courteous and attentive and were able to talk to the pharmacist as soon as they wanted. Staff often provided information about new prescriptions with lower frequencies for monitoring medications. Anecdotally, some patients were well adjusted to their medications which they had been taking regularly so did not see the need for frequent medication discussions if there were no acute concerns.

Key Quotes

“Towncrest is one of the best pharmacies in Iowa City and has always displayed courtesy and professionalism, thanks!” – Employee under direct contract

“Taking medication for years, no need to talk to staff.” – Employee under direct contract

Table D.2: Comparison of Towncrest and Previous Pharmacy

Please rate how Towncrest Pharmacy compares to your previous pharmacy	Towncrest Pharmacy (n)	No Difference/ Can't tell (n)	Previous Pharmacy (n)
Which pharmacy provides better service overall?	6	3	0
Which pharmacy has better wait times?	6	3	0
Which pharmacy is more conveniently located for you?	5	4	0
Which pharmacy is easier to reach by phone when you have questions?	4	5	0
Which pharmacy spends more time with you?	3	6	0

 **Comment**

No respondents favored their previous pharmacy since switching to Towncrest. The majority found Towncrest to offer better service and shorter wait times.

Table D.3: Awareness and Use of Enhanced Pharmacy Services (n=9)

Service	Aware (n)	Have Used (n)
Prescription delivery to your home/workplace	6	3
Adherence packaging	6	-
Medication synchronization (Med Sync)	6	-
Comprehensive medication review	6	-

 **Comment**

Respondents had not yet used the value-added services of adherence packaging, medication synchronization, or comprehensive reviews, although they reported awareness. Some used home or work delivery of medications. This appears to be an opportunity for employee engagement.

Table D.4: Perceived change in out-of-pocket prescription costs

How have your out-of-pocket prescription medication costs changed since your employer changed to using Towncrest Pharmacy to fill your prescriptions?

	Decreased significantly	Decreased slightly	No Difference/ Cant tell	Increased slightly	Increased significantly
Response (n)	3	1	5	0	0

 **Comment**

Respondents either had their out-of-pocket costs decrease or stay the same since switching to the direct contract. No patients reported an increase in prescription costs. This self-reported data suggest patients on the direct contract may not be aware of their out-of-pocket cost savings. This could be another opportunity for employee engagement.

Table D.5: Knowledge of Direct Contract (n=9)

	n	Mean	SD
I am pleased that my employer changed how prescriptions are covered	9	4.67	.071
I am glad I changed my pharmacy to Towncrest Pharmacy	9	4.67	.071
I know what to do if I am traveling and need to fill a prescription from another pharmacy	9	3.22	1.39
I know what to do if i need to fill a prescription and Towncrest Pharmacy is not open	9	3.00	1.41

1=strongly disagree; 2=somewhat disagree; neither agree or disagree; somewhat agree; 5=strongly agree



Comment

Respondents were pleased with Towncrest and the direct contract overall but appeared to still have questions about what to do if Towncrest is not open or they are out of town and need a prescription for an acute need. Employees should still have access to their legacy PBM for filling prescriptions at another pharmacy.



Key Quotes

A Towncrest pharmacist offered this perspective outside the survey. *“Several of the employees were excited to have a one-on-one person that they could talk to and email with. We have several folks that email one of our pharmacists directly to talk about refills that are coming due, changes in medications, “Oh, I’m going to be gone for this period of time, can I refill it a little early?” Just all sorts of unique things, that make it easier to ensure that you have your medications, despite whatever life is going on.”* – Kelly, Pharmacist

Table D.6: Description of Respondents

Characteristic	n (%)	Mean (SD)
Age		
18-34	1 (11.1)	
35-44	1 (11.1)	
45-54	1 (11.1)	
55+	6 (66.7)	
Woman	4 (44.4)	
Medical Conditions		2 (1.0)
Regular Prescription Medications		2.56 (1.51)
Regular OTC medications		1.33 (1.23)
N under employer prescription drug coverage		2 (0.87)