



# Pain Relief for Prescription Drug Costs

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In 1999, Donna Frisch had a problem. Then the senior manager of health and welfare plans for H.J. Heinz Company, Frisch was frustrated trying to isolate prescription drug costs that were part of the company's overall health plans. Equally frustrating was trying to discern why the costs were steadily climbing. This was her solution.

Frisch pooled her peers at the Pittsburgh Business Group on Health (PBGH) into a committee to address prescription drug costs, and to purchase a plan as a group. Although bringing together multiple national employers with unique employee populations into a unified group purchaser of prescription drugs was a challenge in itself, the undertaking was well worth the effort, according to Frisch, who today is president of the PBGH board of directors.

PBGH is an employer-led coalition of more than 60 organizations. By employing a pharmacy benefit manager (PBM), its prescription drug program enables members to purchase prescription drug benefits in a carved-out, self-insured arrangement that takes advantage of aggressive pricing.

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The program offers member organizations the ability to design their own benefit structures and develop strategies that best fit their goals and objectives. At the same time, PBGH leverages the buying power across employers to negotiate:

- best pricing,
- enhanced client and member services,
- performance guarantees, and
- meaningful reporting to help members make better decisions.

Program participation has increased from eight employers in 2000, to twenty-six in 2007, representing more than 170,000 covered lives. PBGH projects the gross spending on the program will be approximately \$330 million this year.

## NATIONAL TRENDS VERSUS COALITION TRENDS

Total costs to purchase prescription drugs under the PBGH Prescription Drug Program increased just 3.7 percent in 2006, the third consecutive year of single-digit increases. The 3.7 percent increase in 2006 is significantly lower than the 7 percent to 14 percent increases reported nationally.

The PBGH Drug Program also compares favorably to other coalition programs, which report increases for 2006 from 4.4 percent to 5.6 percent. For the PBGH program, the overall cost increase was less than 1 percent in 2005 and 4 percent in 2004, compared to national trends of 12 percent for both years.


Since the program began, many employers that have carved out their prescription drug benefits from their health plans have realized 10 percent to 25 percent savings in annual prescription drug plan costs during their first year.

## ENSURING A FLEXIBLE, COST-EFFECTIVE AND INNOVATIVE PROGRAM

This year PBGH conducted its third extensive request for proposal process. Caremark Pharmacy Services was selected as our PBM because of its guaranteed financials, including aggressive discounts off the average wholesale price for brand name and generic prescription drugs, as well as guaranteed pricing for multiple years.

PBGH pays for an independent, third-party compliance audit of the program's terms as part of its service. During its most recent audit, Arxcel, an independent auditor of PBMs, found no errors due to benefit designs in the claims paid for the member employers. PBGH also provided employer-specific reports, along with drug program benchmarks to each employer in the audit report.

## STRENGTH IN NUMBERS

Although health care and prescription drug costs continue to rise significantly each year, the power of coalitions continues to prove effective in lessening these costs. The PBGH Prescription Drug Program is an example of employers retaining the flexibility to meet their employees' needs, while uniting to negotiate aggressive pricing, best-in-class service, and performance guarantees. 

*Formed in 1981 to drive change in the cost and delivery of health care, the Pittsburgh Business Group on Health promotes education, collaboration and innovation among its members and the community to affect the value, quality and delivery of health care and benefits. Christine Whipple can be reached at 724-251-0230. For more information, visit [www.pbghpa.com](http://www.pbghpa.com).*