



CASE STUDY

ABARCA GUARANTEED A PLAN'S DRUG TREND.

A straightforward model — and a partner that is 'all in' — helps a payer accurately and confidently forecast drug spend.

THE CHALLENGE

Plan sponsors are currently experiencing a high degree of volatility in drug spend, largely driven by expensive specialty medications. These drugs often account for less than 2% of all claims¹, but can represent more than 50% of total spend². This challenge is likely to get worse: Increasing numbers of high-cost therapies are expected to receive FDA approval, making drug mix and cost even more difficult to forecast.

In this climate, a commercial health plan that serves more than 250,000 lives was looking for a way to make their drug spend more predictable and manageable. Abarca, the plan's long-term partner, saw an opportunity to deliver a novel solution that allowed it to take on greater accountability in controlling drug costs than any other PBM in the industry.

THE APPROACH

Abarca created a new financial model that would shield the plan from unexpected increases in costs by guaranteeing:

- ▲ An overall per-script net cost that covers all drug categories, including specialty.
- ▲ A set, low single digit annual inflation rate for three years.

In keeping with Abarca's approach to business, this model is straightforward, transparent, and understandable. No caveats, fine print, or surprises. Abarca is guaranteeing actual performance (real dollars) and assuming the risk of drug price inflation. No other PBM has departed from the traditional AWP benchmark-based model, while also maintaining full transparency and true accountability for drug cost increases — something that cannot be accomplished with a cost-plus model such as NADAC or AAC.

THE RESULTS

- ▲ Previously, the plan was experiencing quarterly volatility of up to **9%** in their overall drug spend, driven by unexpected specialty drug utilization. Under this new approach, the plan can confidently predict drug spending and its incentives are fully aligned with its PBM over the short and long term.

As more high-cost specialty medications enter the market, traditional strategies for managing drug trend may no longer be effective. To ensure that health plans can better predict their spend, PBMs must adapt to new market realities, operate as partners with payers, and put their money where their mouth is.

Sources:

1) Per YTD (2021) internal data

2) Per IQVIA Institute for Human Data Science "The Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2025" May 2021 report