



CASE STUDY: KENTUCKY RURAL ELECTRIC COOPERATIVE

BACKGROUND

Kentucky Rural Electric Cooperative (KREC) is a consortium of 13 nonprofit electric utility coops totaling 5,000 lives, including approximately 750 retirees served by the Medicare Part D Prescription Drug benefit.

While KREC had no complaints regarding its PBM service, KREC's consultant, Brown & Brown, urged the consortium to consider options for greater transparency and lower drug costs. Brown & Brown wanted to remove any ancillary fees that were not benefiting members and to streamline the plan's administration to better serve the cooperative and its members.

ACTION

Brown & Brown engaged EvergreenRx/IPC, a national pharmacy benefit consultant, to assist in the analysis of KREC's pharmacy benefit program. Their findings resulted in the decision to select a new PBM provider for KREC. Following an eight-month selection process, KREC elected to contract with Navitus Health Solutions in July 2011 as recommended by Brown & Brown. The projected outcome was a net reduction in drug spend of \$1.3 million in year one.

The advantages and plan features offered by Navitus included:

- A 100% pass-through plan delivering lowest net cost, validated and audited by EvergreenRx/IPC.
- A national pharmacy network providing leading discounts and widespread access for members.
- The Navitus Select Formulary with a three-tier plan design incorporating prior authorization, step therapy and quantity limits for a high level of plan management.
- A 90-day at retail option in which members pay for 90 days of prescriptions for the price of two copays instead of three.
- A self-funded Medicare D Wrap providing a seamless transition for the plan's retirees.

"Navitus has been a key partner in our value-based cost management strategy and part of the reason that we have enjoyed trend metrics that have been well below market for the last 10 years."

—Mark Morrison, Brown & Brown

Retiree Solutions:

Previously, KREC's commercial and Medicare populations were being served by two separate pharmacy networks and benefit plans, causing confusion and disruption to members and pharmacies. Retirees were using two different PBM benefit cards to pay for their prescriptions, and pharmacies had to adjudicate each claim twice for the different plans. Getting a handle on managing both plans was also difficult for KREC.



In 2013, the collaborative team designed a wrap solution for easing the administrative challenges of managing the Medicare EGWP population separately from the commercial plan. The solution applied the same Navitus national network for the Medicare population and provided for single-point claim adjudication and plan administration for both the Medicare plan and commercial plan.

Wellness Solutions

To address member health, in 2013 KREC implemented a vaccination program enabling members to conveniently receive vaccines at any of 40,000 participating pharmacies in Navitus' national network. The KREC benefit covers vaccines for influenza, pneumonia, tetanus, Hepatitis, Meningitis, shingles, HPV and varicella. The program encouraged members to participate and removed any accessibility roadblocks to promote improved compliance and participation.

RESULTS

Significant Plan and Member Savings

- Plan-paid savings after one year totaled \$1.27 million, or 29%, over the previous year with the former PBM, virtually matching the \$1.3 million in plan savings estimated by Navitus in its initial proposal to KREC. These substantial savings are primarily the result of a well-managed formulary with high-quality medications based on lowest net cost. Further, KREC enjoyed the full value of pharmacy network and rebate pass-through and immediately retained 100% of all upside performance.
- During the first year with Navitus, KREC's annual average per member per month (PMPM) cost decreased 24.6% from \$94.16 to \$70.99.
- Generic utilization for commercial members increased 9% over two years, from 69.5% to 78.5%.
- 2013 year-end trend results confirmed member cost share at 18.38%. This commendable metric is below the average of 20-30%, as advised by the Pharmacy Benefit Management Institute (PBMI).

"We are very pleased with our new PBM service with Navitus. Not only are we receiving better customer service, but Navitus has greatly enhanced our prescription drug program because the Cooperative has more involvement in the management of this self-funded program. Even greater satisfaction came from our new Medicare primary EGWP program. Our retirees can use one card for the Medicare D portion and for the Navitus secondary portion, making the coordination between our Medicare D program and our coordinated, secondary program much simpler and easier. In addition, huge savings resulted from our involvement with Navitus regarding the plan's PBM. Moving to Navitus was a great move!"

–Joseph R. Smothers
Manager, Human Resources
East Kentucky Power Cooperative



Improved Plan Administration and Health Promotion

Moving KREC's retiree population into a single-point solution brought new efficiencies, transparency and savings to KREC.

- KREC now has full transparency over its Medicare EGWP plan with Navitus passing through all rebates, coverage gap discounts, and subsidies from the Centers for Medicare & Medicaid Services.
- Pharmacies now process claims in a single adjudication for both the commercial plan and Medicare plan, making sure eligible claims are processed through Medicare Part D first.
- Retirees now purchase their prescriptions using a single card with peace of mind knowing that they receive all of their benefits from both plans.

In addition, members are utilizing the vaccination program. After six months of the program being in effect, more than 750 claims were filed for influenza, vaccine and shingles vaccines.

PLAN PAID PER MEMBER PER MONTH (PMPM)
PRE AND POST YEAR 1 WITH NAVITUS

