

Pharmacy Care Reimagined - Prescription Drug Supply Chain Model

Frequently Asked Questions for External / B2B audiences

Table of Contents

- [About Pharmacy Care Reimagined and our announcement](#)
- [About the new prescription drug supply chain model](#)
- [Projected savings and impact on premiums](#)
- [Member/client-focused questions](#)
- [What providers need to know](#)
- [Specifics on operations](#)
- [Pharmacy Benefit Manager \(PBM\) questions](#)
- [Interest from other Blues/health plans](#)
- [About Health Reimagined](#)

About Pharmacy Care Reimagined and our announcement

What is Pharmacy Care Reimagined?

Pharmacy Care Reimagined is Blue Shield of California's bold initiative to ensure every person has safe, equitable access to sustainably affordable prescription drugs. To achieve this, we are focusing on three pillars:

- Transforming the end-to-end prescription drug ecosystem
- Investing in personal, high-quality experiences
- Building powerful solutions with technology and data

We are taking on this task because there is a human, a patient, a family member, a friend behind every prescription. True to our vision, our goal is to create a pharmacy care experience that is worthy of family and friends and sustainably affordable. Pharmacy Care Reimagined brings a more human and transparent approach to care and value to our members. It's what we stand for.

What are we announcing about Pharmacy Care Reimagined?

On August 17, 2023, we announced a major milestone in our Pharmacy Care Reimagined work – a new prescription drug supply chain model that's designed to address problems in today's broken pharmacy system. We are working with organizations that share our commitment to transform how medications are purchased and supplied to our 4.8 million members (2.4 million members with pharmacy benefits) to provide them with convenient, transparent access to medications while lowering costs. Once our pioneering, multi-year strategy is fully implemented, we expect significant savings making prescription drugs more affordable.

This model adds to the substantial Pharmacy Care Reimagined work already in progress:

- Policy advocacy

- Collaborations with Evio Pharmacy Solutions, CivicaScript, Synergie Medication Collective and Gemini Health
- Pharmacy Advocates program
- Work to elevate pharmacy care so pharmacists are using the full extent of their education and training

How is Blue Shield of California uniquely positioned to help fix the problems in today's broken pharmacy system?

- **Pharmacy Benefit Strategy & Expertise:** Any decision-making related to benefit design, developing formulary strategy and management, and creating our own clinical and utilization management policies remains with us. Our in-house experts, including pharmacists and physicians, are experienced in direct patient care and will continue to make the decisions that most impact our members. By retaining pharmacy decision-making capabilities where it matters, we are positioned to succeed in this transformation.
- **Flexibility and commitment to our members:** As a non-profit health plan, we can make decisions based on what we believe will improve the health and well-being of our members and all Californians.
- **Confidence that this is the right thing for our business:** We know this will be a competitive advantage. By removing the secrecy around drug pricing and shining a light on hidden prescription drug costs to make them more affordable, we're showing that we can change one of the largest cost of health care challenges our industry faces.
- **Experience with large-scale initiatives:** We have an integrated medical-pharmacy approach that leverages the health plan enterprise for large scale projects. This means we can activate resources and experience across Blue Shield, and lean on our experiences from past projects.

Has Blue Shield succeeded in other pharmacy transformations? Are there any previous projects this builds upon?

We have had a leading role in large-scale new innovations in pharmacy since 2018. Blue Shield is committed to pharmacy solutions that can scale, and this is another piece to that puzzle that allows us to build a new model versus tackling each segment/area individually. Some of our existing pharmacy projects include:

- **Policy efforts:** In 2017, Blue Shield championed California Senate Bill 17 (S.B. 17), one of the nation's first drug-pricing transparency laws. The law requires drug manufacturers to inform purchasers in advance of any excessive price increase with an explanation as to why the increase was made.
- **Collaboration with Gemini Health:** In April 2018, Blue Shield announced a deal with the tech company Gemini Health LLC to give healthcare providers instant access to a list of low-cost alternative medications that they can prescribe to their patients. As of now, the work has brought \$60M of cost savings.
- **CivicaScript Investment:** Blue Shield joined with more than a dozen other Blue plans in 2020 to invest a total of \$55M in CivicaScript. Together with like-minded manufacturing companies, we are bringing more affordable generic drugs to uncompetitive markets. It is a great example of how Blue Shield is working to bypass inefficiencies and strengthen the drug market to benefit our members and the entire healthcare system.

Investment in Evio Pharmacy Solutions: Blue Shield jointly invested, with four other plans, in Evio Pharmacy Solutions, a startup that works with health plans to transform the medication experience for everyone. The company helps its investor health plans by improving medication affordability, patient experience, and clinical outcomes. Among other projects, Evio is using real-world evidence and data analytics from real patient experiences to show how individual drugs perform for patients across different environmental factors and circumstances.

Others have tried to fix pharmacy care and failed. Is it actually possible to achieve what you've outlined?

We have always known that transforming the healthcare system would be challenging, and it is the right thing to do. The rising cost of drugs and lack of transparency demand that we act. We've already made progress through our policy advocacy work and collaborations with companies like Evio Pharmacy Solutions, CivicScript, Synergie Medication Collective, and Gemini Health. We're also very pleased that the five companies we're working with in the new model are willing to work in a new way to improve the system.

It won't happen overnight, but we are confident in our plan, and we have the scale and influence to create and execute this new prescription drug supply chain model.

About the new prescription drug supply chain model

What is the new pharmacy supply chain model?

We are unbundling pharmacy services that are typically aggregated by a single, traditional pharmacy benefit manager and are instead working with selected organizations that have differentiating capabilities to provide these services.

What companies are helping us build the pharmacy supply chain model and what will they do?

We are working with several companies to help us build the new pharmacy supply chain model. These companies will deliver services in the following areas that a traditional Pharmacy Benefits Manager (PBM) might provide. Among other companies we may work with, the five companies below will be focusing on the key functions outlined here:

- **Amazon Pharmacy** will provide fast and free delivery of prescription medications, complete with status updates, as well as upfront pricing and 24/7 access to pharmacists.
 - **Mark Cuban's Cost Plus Drug Company** will establish a simple, transparent, and more affordable pricing model, reducing surprise drug costs at the pharmacy pick-up counter.
 - **Abarca** will pay prescription drug claims quickly and accurately while continuing to evolve its technology platform, "Darwin", to support new, simplified payment models.
 - **Prime Therapeutics** will work with Blue Shield to negotiate savings with drug manufacturers to move toward a value-based model that aligns drug prices to patient efficacy and health outcomes.
- CVS Caremark** will provide specialty pharmacy services for members with complex conditions, including education and high-touch patient support.

What's the timeline for implementing the new model?

- 1/1/24 –
 - Our manufacturer contracts will transition to Prime Therapeutics who will negotiate savings with drug manufacturers to move toward a value-based pricing model that aligns drug prices to patient efficacy and health outcomes.
 - CVS Caremark will continue to administer our pharmacy networks (including specialty, retail and mail-order), and be our claims processor.
- 1/1/25 –
 - CVS Specialty will remain our members' specialty pharmacy services provider.
 - Amazon Pharmacy will be our home delivery pharmacy, transitioning from CVS Mail Order.
 - Abarca Health will be our claims processor for pharmacy claims.

Projected savings and premiums

What savings do we expect?

We estimate over \$100M in gross savings in 2024. This kickstarts the flywheel, and over time, the annual savings will be up to \$500M in gross savings per year once the multi-year strategy is fully implemented.

How will this new model actually save money?

The services we have contracted for will continue to provide our members with high-quality pharmacy care. The model is rooted in price transparency so that we can identify and eliminate unnecessary or hidden costs.

In the traditional prescription drug supply chain, a Pharmacy Benefit Manager (PBM) provides services in a bundled offering. We have contracted with companies for individual services, at a lower cost and with greater price transparency in the supply chain. Each company we selected meets our experience and quality requirements for the service they will provide. Our decision to transition away from a traditional pharmacy services model is supported by the improved rates we have secured.

But, how will we do it?

Our model is built around:

- **Greater price transparency and performance focus** – we're removing the mystery around drug pricing and shining a light on hidden prescription costs to make them more affordable. We chose companies who are willing to work with us to provide pharmacy services with transparent pricing models or payments for specific services instead of traditional bundled services.
- **Getting closer to the manufacturer** – Our new arrangement gives us more flexibility to directly contract with drug manufacturers and use innovative pricing models like net cost plus.
- **Simplifying pricing models** – In today's system, pharmacies acquire drugs at sometimes drastically different prices. We are moving to a net cost plus model. It's this simple: cost of drug from manufacturer + agreed to fee for dispensing. We know exactly where money is being spent and how much, so we're paying for the value of the drug and services instead of hidden costs.

How will this new model impact premiums?

Initial projected savings were considered for how our 2024 products are priced, and pricing planning is currently under way for 2025 products.

The model will not be fully implemented until the start of 2025. As we complete implementation and see incremental change over time, our expectation is that the model will provide a pathway to mitigate skyrocketing drug costs and provide strategies for alternate cost containment beyond 2025.

It's important to remember that many factors are included in the pricing of our plans. Pharmacy Reimagined is one initiative to help drive toward the goal of making health care more affordable.

What about future savings beyond that?

Additional savings will be factored into our pricing in subsequent years, and we will continue to look for ways to improve how we make health care sustainably affordable.

Member/client-focused questions

What does this mean for our clients?

We are excited to begin this transformational journey for pharmacy care and believe that our clients want to have more transparency into their prescription drug spending as much as we do. As we complete implementation and see incremental change over time, our expectation is that the model will provide a pathway to mitigate skyrocketing drug costs and provide strategies for alternate cost containment beyond 2025.

At this point, we don't have the level of detail to identify the direct financial impact this will have on specific clients. We're committed to updating you regularly as the initiative evolves. The work that we are beginning now sets us up for the future and will allow us to deliver on better experiences, more sustainably affordable and transparent drug pricing models, and ultimately, more satisfied members.

How will members benefit from/experience the new model? What will change?

Members who have Blue Shield pharmacy benefits will experience the new model. We expect a seamless transition, easy and convenient service, and lower drug prices.

Specifically, we do not expect any changes to our retail pharmacy network, and CVS Caremark will continue to provide specialty pharmacy services. Our mail-order service provider will change in 2025 and we are excited to collaborate with **Amazon Pharmacy**, known for its customer-centric approach to home delivery. As we get closer to transitioning to new companies, Blue Shield will make sure all members are aware of any changes that could potentially impact where and how they access their prescriptions drugs, as well as their costs.

What will the end-to-end member experience be like?

Pharmacy Care Reimagined is our strategy to build a member-centric pharmacy experience that is transparent and more convenient for our members.

Our member experience efforts started before the new pharmacy services announcement, and we will continue to build more solutions that deliver a high-quality member experience. Here are some examples of how we've already delivered on improved member experiences, and what we are planning for in the future:

- At the point of prescribing, members and their care team have access to medication pricing when treatment decisions are made thanks to the work with Gemini Health (already in market).
- When a member goes to fill a prescription, they'll have more choices about who fills their drugs, and whether they pick them up at a local pharmacy or have them conveniently delivered to their home.
- While they're managing their conditions, members will be able to easily access their medication claims history and for those that are managing complex conditions, continue to have access to best-in-class clinical support.
- When regular, yearly formulary changes occur or when they are being asked to move a prescription, our pharmacy advocates will conduct outreach to provide high-touch services to help members understand the options available to them and how to navigate the health system.

What will be different about the services we provide with these companies than what we currently provide?

The services we have contracted will continue to provide our members with high-quality pharmacy care, but costs will now be made transparent and the overall cost of drugs will be reduced.

Blue Shield will continue to control decision-making related to benefit design, develop formulary strategy and management, and create our own clinical and utilization management policies. Our in-house experts, including pharmacists and physicians, are experienced in direct patient care and will continue to make decisions that most impact our members.

What do our clients/members need to do?

Initially nothing, they'll benefit just by having pharmacy benefits provided through Blue Shield. We do not anticipate major changes in our retail pharmacy network. Members will be notified of any changes to their retail pharmacy network status and alternate network pharmacies they may use to continue to receive their prescriptions.

Once implementation begins, we will:

- Create processes and communications to support member transition to Amazon Pharmacy home delivery
- Issue new ID cards and provide members with instructions on sharing their updated information with their pharmacies

What providers need to know

What do our providers need to do following this announcement?

Right now, nothing. Although we expect the direct impact to the provider experience to be minimal from this new model, during implementation, we'll work closely with the provider-facing teams to identify and communicate any changes.

Specifics on Operations

Will we work with Pharmacy Benefits Managers (PBMs) for plans that carve out pharmacy benefits?

If a group carves out pharmacy benefits already from Blue Shield, we will continue to work with the group's PBM of choice to offer an integrated experience.

Who oversees our work with the companies that are part of the new pharmacy services model to make sure they are following the proper processes and job functions?

Blue Shield Pharmacy Services will oversee vendor management of the companies involved in the new model to ensure the level of service we expect. Additionally, they are subject to our Blue Shield corporate policies and vendor governance and oversight program.

Will these companies suggest formulary and criteria changes to our current policies?

No. Blue Shield will continue to be responsible for the formulary strategy, design, and management. Regular, yearly formulary changes will occur, and our pharmacy advocates will outreach to members to provide a high-touch experience and minimize member abrasion. Our policies will be subject to the same processes and oversight that currently exist today.

These companies are national; does that mean we can operate out of state?

No, we remain focused on the state of California and serving our national employer groups as we always have. We will be able to service our national clients through Pharmacy Care Reimagined.

Pharmacy Benefit Manager (PBM) questions

Will Blue Shield of California continue to work with CVS Caremark?

Yes, however the nature of our relationship with CVS Caremark will change. They will continue to service some of our populations with complex medical needs by being our selected Specialty Pharmacy Services vendor. Blue Shield also holds several other contracts with CVS Caremark that are not impacted by the introduction of our new model.

Will Blue Shield of California continue to work with Pharmacy Benefit Managers (PBMs)?

Yes.

Why is Blue Shield moving away from leveraging a traditional Pharmacy Benefit Manager (PBM) to support our pharmacy services? Why do we believe we need a different approach?

Blue Shield is always striving to improve the member experience for our 4.8 million members, and that means transforming the healthcare system piece by piece. We seek to change the way that drugs are priced and made available to our members, which involves disrupting the supply chain. Pharmacy Care Reimagined and the new prescription drug model will do just that – bring more clarity into the process so that members aren't shocked by the price tag anymore because the cost is not only lowered, but also transparent.

Interest from other Blues/health plans

Will other Blue and/or health plans join this model?

This model will transform the way that prescription drugs get from manufacturers to our members. We hope that its success can serve as an example for other Blues/health plans to follow. We know that other Blues plans will be watching our transition closely and have interest in a similar model.

Will we be making the prescription drug supply chain model available outside of Blue Shield?

Blue Shield believes in health transformation at scale. California has one of the largest state populations, one of the largest economies in the world, with a dense and diverse population; if we can make innovative health care happen here, we believe it can work in other regions.

About Health Reimagined

- Health Reimagined is our strategy to reimagine health for all Californians.
- We are doing this through collaborations, programs, and policy work. We know that we cannot do this work alone, so we are working with other members of the healthcare system – provider networks, hospitals, community-based organizations, and technology companies. It will take all key stakeholders to achieve tangible change.
- The initiative was announced in June 2020.
- The initiative is focused on solutions that address holistic health, personal care, and high-tech high-touch support.
- Some of the other initiatives included in Health Reimagined are Primary Care Reimagined, Specialty Care Reimagined, virtual care, Integrated Health Records (IHR), and health equity.
- Blue Shield's Pharmacy Reimagined initiative is subject to regulatory approval.