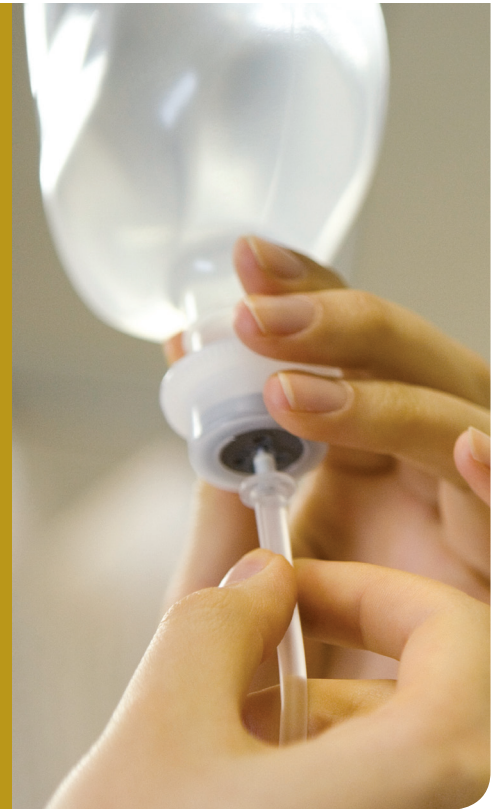


Case Study

Walgreens Specialty Pharmacy Addressing the Physician Buy-and-Bill Model

Walgreens collaborated with a large national health plan headquartered in Pennsylvania to initiate a Medical Injectable Drug program. This health plan has a long-standing record of helping families and companies with their health insurance needs. One of the largest health insurers in the nation, the organization today serves a diverse base that includes large urban populations as well as widespread rural groups.



The challenge

Specialty pharmaceuticals provide hope for patients with chronic, complex or rare disease states that do not respond to traditional drug therapies. But like most health plans, our client faced several key challenges for their clinically administered specialty medications:

- Limited distribution
- Administrative burden
- High program costs
- Appropriate clinical management

Walgreens solution

This health plan initiated a Medical Injectable Drug (MID) program in 2002, working with Walgreens as their specialty pharmacy provider (SPP). The MID program was developed as a method to manage specialty pharmaceuticals that are commonly administered in physician offices and reimbursed under the medical benefit.

With Walgreens supplying physicians' offices with the MIDs, the program was initiated with 4 drugs in 2002, growing to more than 50 drugs by 2007-2008.

Under the program, Walgreens specialty pharmacy billed the health plan directly for the cost of the specialty medication and the physician continued to bill for the office visit and the administration. This relieves the physician from needing to bill all three components as is typically required with a more traditional buy and bill process.

Case summary

- The MID program was initiated in 2002 with 4 drugs, and by 2007 **the program grew to more than 50 drugs**.
- The program generated an estimated **\$15.5 million in injectable drug cost savings** in 2007 and about \$13 million in 2008.
- Anecdotal reports from smaller physician offices suggested that the MID program **helped achieve two goals:** Reduce financial risk, and transfer the administrative burden associated with MIDs from physicians to the health plan and to Walgreens as the specialty pharmacy provider.

See other side for more ►

Walgreens solution (continued)

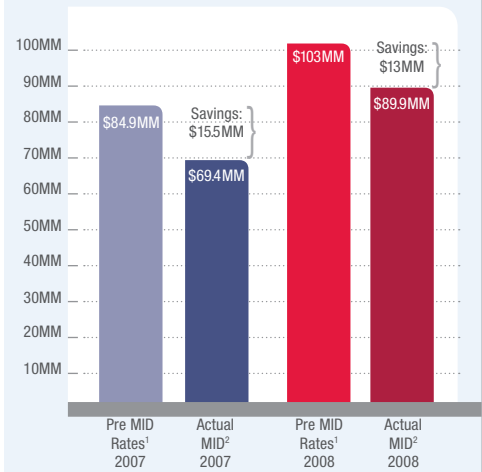
The program was associated with health plan cost savings of approximately \$28.5 million over 2 years. This was achieved by changing reimbursement channels: about 50 physician-administered injectable pharmaceuticals changed from reimbursement to physicians, to reimbursement to Walgreens as a single specialty pharmacy provider.

The results

- For the approximately 50 drugs in the MID program in 2007 and 2008, the drug cost savings in 2007 were estimated to be \$15.5 million (18.2%) or \$290 per claim (\$0.28 per member per month [PMPM]).
- Savings in 2008 totaled about \$13 million (12.7%) or \$201 per claim (\$0.23 PMPM).
- Although 28% of MID claims in 2007 were billed by physicians using J codes, and 22% in 2008, all claims for MIDs were limited to the SPP reimbursement rates.

Christopher G. Baldini, PharmD, and Eric J. Culley, PharmD, MBA. *JMCP*. 2011; 17 (1).

Estimated Drug Cost Savings for the MID Program in 2007 and 2008



¹ Estimated spending based on the physician reimbursement using HCPCS J code billing and the former physician payment rates under the "buy-and-bill" model. The spending estimates include only the drugs in the MID program through the year of the spending estimates (e.g., the spending estimates for 2007 do not include the 6 drugs added to the MID program in 2008).

² 28% of the MID claims were submitted by physicians using HCPCS J codes in 2007 and 22% in 2008; all HCPCS J code claims were paid at the SPP reimbursement rates.

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