

## Case Study:

How biopharma companies can help address pharmacy under-reimbursement



## How under-reimbursement impacts biopharma companies, pharmacies, patients, and providers

A biopharma company with specialty dermatological pharmaceutical products approached FirstView Financial seeking help with a problem that impacted its covered claims, adversely affecting total prescriptions filled (TRx) and gross-to-net margins (GTN). The problem centered around financial barriers that pharmacies were experiencing when filling prescriptions for the biopharma company's products due to the **under-reimbursement** of claims.

When entering patient pharmacy benefit information on some prescriptions, pharmacy staff immediately determined that the amount the patients' pharmacy benefit managers (PBMs) would reimburse to the pharmacy was lower than the price the pharmacy paid for the products – its acquisition cost. Even though it was in the best interests of the patient, provider, biopharma company, and of the pharmacy itself to fill patients' scripts as written, the under-reimbursement issue on some claims was driving pharmacies to consider other options when receiving scripts for this biopharma company's products.

## Filling scripts as written is in the best interests of the patient, provider, biopharma company, and pharmacy



### Patient

It is in the patient's best interest to receive exactly what the provider prescribed, with speed, to receive optimal therapeutic results.



### Provider

Making a change to another drug requires a callback from the pharmacy to the provider's office. Callbacks increase the administrative burden on an already over-worked provider staff.



### Biopharma Company

Biopharma companies want to remove friction from the prescription process. When pharmacies fill scripts as written, it reduces the barriers that complicate patients starting and staying on treatment with a biopharma company's product.



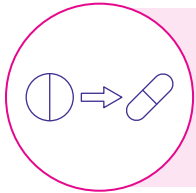
### Pharmacy

For pharmacies, filling scripts as written drives the efficiency of operations, enhances patient satisfaction, and builds stronger partnerships with providers and biopharma companies.

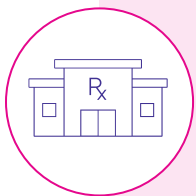
When under-reimbursement occurred for this biopharma company's products, the pharmacies were forced into one of **four options that negatively impact pharmacies, as well as patients, providers, and biopharma companies.**



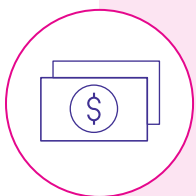
**Fill the prescription with the prescribed product**, which can result in a negative margin (commonly known as an underwater script). The pharmacy experiences a financial loss with this option.



**Refer the patient to an alternative product** that may have positive margin for the pharmacy. However, because it was not prescribed by the patient's provider, the alternative product may have suboptimal results. This is one example of pharmacy abandonment. Not filling the prescription as written also sets up a risk that the pharmacy will lose the patient's provider as a source of scripts.



**Send the patient to a competing pharmacy** that may have a lower acquisition cost or be less sensitive to margin and under-reimbursement. This is another example of pharmacy abandonment and it can have lasting negative consequences for key stakeholders. For the original pharmacy, there could be a loss of future business as patients are unlikely to return for new prescriptions or refills, and providers are less likely to send the pharmacy future scripts. For patients, changing pharmacies may delay getting on therapy and may result in patients paying more if the competing pharmacy does not process the claim carefully. For patients and biopharma companies, the competing pharmacy may also be more likely to substitute a generic product if the patient was prescribed a branded product.



**Flip the script to a cash offer** if a cash offer is available. When a script is flipped from an under-reimbursed script (where the PBM pays some portion) to a cash offer script (where the biopharma company pays the full amount), the patient is presented with a cash price to get the prescription. The reduced cash price offsets a small fraction of the net selling price of the medication. The biopharma company then pays the pharmacy (through a copay card claim) the difference between the net average selling price less the cash offer plus a pharmacy dispensing fee. The pharmacy is able to avoid a financial loss with this option, but the pharmacy's relationship with the biopharma company can be threatened if this option is abused.

These options were not sustainable for pharmacies and while they wanted to continue dispensing the biopharma company's products, under-reimbursement was not going away. The biopharma company knew that pharmacies experiencing this issue could not continue filling these scripts long term.

FirstView Financial was ready to perform the research and development necessary to help the biopharma company find a solution to better support its pharmacy customers experiencing under-reimbursement issues.

## The benefits of a narrow network strategy

A critical step the biopharma company had already taken before working with FirstView Financial was one that many forward-thinking biopharma companies are now taking to better control the patient experience. It implemented a defined pharmacy dispensing strategy, also referred to as a **narrow network strategy**.

In a narrow network strategy, the biopharma company partners with a focused group of pharmacies serving as its primary dispensing point. This smaller population of pharmacies concentrates on stocking products and serving patients in a specialty area, such as dermatology. It fills scripts as written instead of recommending alternatives to patients, thus reducing the risk of unanticipated outcomes for patients while building trust with providers.

When the network works well, providers send their scripts directly to these pharmacies. The increased script volume from the network helps their businesses grow.

Furthermore, biopharma companies are able to improve the patient experience by only having their scripts filled by pharmacies that have expertise in the specialty area of their medications, which helps make accessing the medications easier for patients. A narrow network also gives the biopharma company opportunities to implement solutions unavailable in retail distribution.

The biopharma company in this case study had already implemented a narrow network strategy, consisting of about 300 pharmacies that specialized in dermatological products. While this strategy was proving successful, one payer began significantly under-reimbursing the product midyear. Pharmacies contacted the biopharma company to provide this information along with supporting claims that showed the underpayment. The biopharma company realized it needed to act quickly to help its pharmacy partners and reduce the risk of pharmacy abandonment. It reached out to FirstView Financial for help.

## An integrated approach to dynamic claims adjustment in a narrow network

Because the biopharma company was using a narrow network strategy, FirstView Financial was able to develop a dynamic claims adjustment solution it named ProXeclaim™. FirstView recognized that a narrow network solution that was embedded in the existing pharmacy workflow was more likely to be adopted by pharmacy staff. With ProXeclaim, the normal pharmacy adjudication process is followed with only one minor change.

When a pharmacy staff member enters the patient's pharmacy benefit information, a claim is typically flagged by the pharmacy management software when the total value of the claim is less than the pharmacy's purchase price. The staff member recognizes this as an under-reimbursed claim. For these claims, instead of running the usual biopharma company copay card that picks up the patient's copay, the staff instead runs the ProXeclaim copay card, which immediately routes the claim to FirstView Financial for processing.

In seconds, the system calculates three amounts:

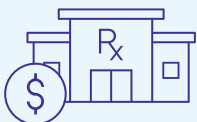


1. The **gap between the cost of the drug to the pharmacy and the rate of reimbursement** as determined by the PBM

*If this under-reimbursement amount is within the predefined limits of the program, the system makes a dynamic claim adjustment to reimburse the pharmacy for the full cost paid*



2. The **patient's copay amount**, which is adjusted to be covered within the limits set by the biopharma company



3. A **dispensing fee to the pharmacy**, which is added to ensure any overhead and shipping costs incurred by the pharmacy are covered

The pharmacy then immediately receives a message that the claim is approved and displays the recalculated amounts for product reimbursement, the copay fee, and a dispensing fee. The pharmacy fills the script as written, assured it will earn a sustainable margin.

## Improved covered claims, total prescriptions filled (TRx), and gross-to-net margins (GTN)

### Increased covered claims and TRx

Incorporating ProXeclaim helped to make dispensing the biopharma company's products more sustainable for pharmacies and drove a **43 percent increase** in the number of monthly covered claims (Figure 1). At the end of October – prior to implementing ProXeclaim – there were 2,825 covered claims for the biopharma company's products. By March, after ProXeclaim had been in place for five months, there was a total of 4,046 covered claims. Overall, 1,832 claims that were initially flagged as under-reimbursed were covered with the help of ProXeclaim.

Furthermore, **TRx grew 31 percent** in the same period, from 6,561 at the end of October to 8,600 at the end of March, potentially helped by the improved process.

Figure 1

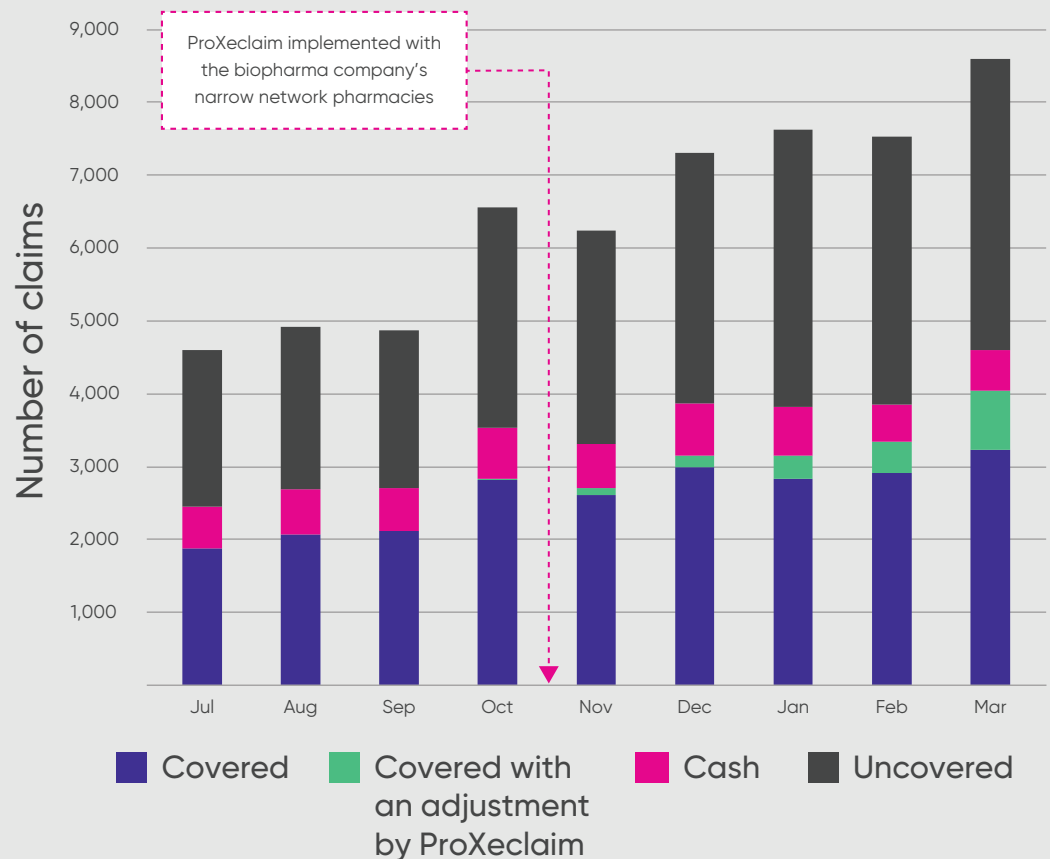
#### Monthly claim adjudication results for dispensed scripts

**43%**

increase in  
covered claims  
in five months

**31%**

increase in TRx



Anonymous Biopharma Company, Prescription Claims Data, July 2019–March 2020, Date accessed 1 November 2022

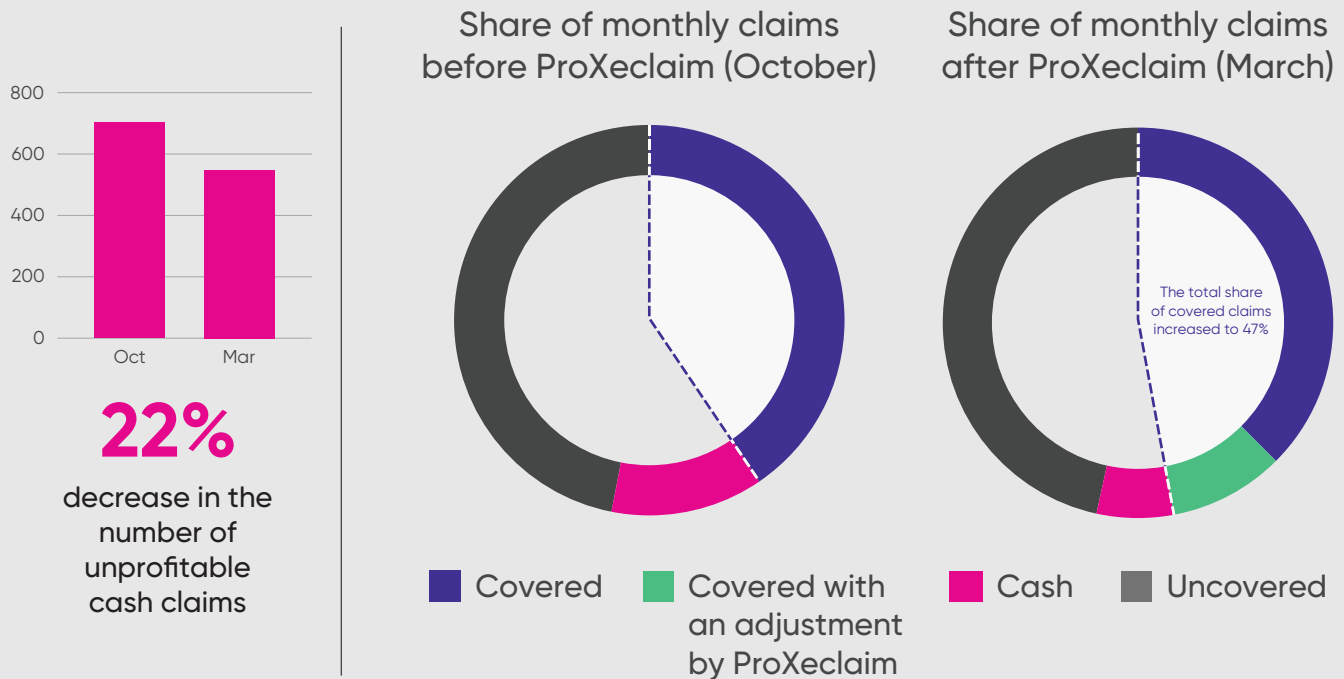
**Note:** ProXeclaim was initiated in November, when most patients have met their deductible and covered claims were at a high. In January and as expected, the percentage of covered claims declined when deductibles were reset. In the months that followed, the number of pharmacies that were using ProXeclaim grew and an increasing number of claims that were initially flagged as under-reimbursed by pharmacy management software – those that would have previously been moved to unprofitable cash claims or abandoned – were adjudicated as covered with an amount recalculated by ProXeclaim.

## Improved GTN

It can be assumed that GTN also improved. Five months after implementing ProXeclaim, the total share of covered claims increased to 47 percent, while the share of unprofitable cash claims decreased by 22 percent (Figure 2).

Figure 2

### Comparison of monthly claim adjudication results after implementing ProXeclaim



Anonymous Biopharma Company, Prescription Claims Data, July 2019–March 2020, Date accessed 1 November 2022

Both the biopharma company and its pharmacy partners were pleased to have a new option that could dynamically adjust under-reimbursed claims for the biopharma company's products to help the pharmacies avoid a financial loss. It helped to fill more scripts as written, in the best interests of patients, providers, biopharma companies, and pharmacies.

With ProXeclaim, FirstView Financial addressed the under-reimbursement of the biopharma company's products with a sustainable option for both the biopharma company and its pharmacy partners.





## Why FirstView Financial?

In our quest to deliver innovative payment solutions to our pharmaceutical and healthcare partners, FirstView Financial has developed a unique industry-specific use of healthcare fintech. We're addressing financial barriers resulting from PBM-negotiated pricing or formulary positioning, reducing pharmacy and patient abandonment, and driving increased fill rates.

Our proprietary ProXclaim processing service enables biopharma companies to implement and manage complex claims transactions in narrow networks of specialty pharmacies. Through our proven capability of building innovative and customized solutions, we serve clients ranging from hub service providers and copay program managers to specialty pharmacies and biopharma companies.

Powered by our cutting-edge proprietary platform, we've leveraged key relationships with industry partners to provide near real-time payments and proprietary claims-processing capabilities. Our API integration enables hub and copay partners to seamlessly add benefits verification and benefits investigation to the enrollment and screening process and make real-time omni-channel payments to patients, providers, and pharmacies.

Helping create seamless patient journeys is our passion and continues to fuel our industry-leading innovation.

*To learn more about FirstView Financial, visit [firstviewfinancial.com](https://firstviewfinancial.com)*

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