



RISK VS. REWARD

A Must-Have Contracting Guide for Specialty Pharmacy Services

'Four Best Practices for Achieving Financial Savings and Long-term Protection'

About the Authors



KELLY RATLIFF

Vice President at Archbow Consulting

[Link to Bio](#)



KRISTY FRIZZO

Senior Director at Archbow Consulting

[Link to Bio](#)



MIKE POLAND

Director at Archbow Consulting

[Link to Bio](#)



Introduction

As advisors to organizations in the biopharmaceutical space, our clients often turn to our team of Specialty Pharmacy (SP) experts for assistance and guidance with vendor selection and contract creation, negotiation, and renegotiation. When approached strategically, contracting with specialty pharmacy networks can be an opportunity to positively impact patient experience, hold SPs accountable for various service level requirements, and assure the best possible time to fill and adherence rates. Ensuring everyone is aligned on what services the pharmacy will provide as part of its standard offering is essential. From there, enhanced services should be segregated and clearly defined. Eliminating ambiguity protects all stakeholders.

In this whitepaper, we asked our SP experts to provide four essential contracting best practices for your organization. As with most effective strategies, financial success starts with asking the right questions to avoid long-term penalties.

Best Practice #1

Understand the Difference Between Core vs. Enhanced Services

What does your organization consider to be core services?

SPs and their services are critical to patient access, prescriber satisfaction, therapy adherence, and overall program success. To ensure your organization maximizes the financial value of your pharmacy contracts, all stakeholders, including manufacturers and SPs, need to understand how the difference between core and enhanced services impacts patient care. If your organization doesn't have the appropriate guardrails, you may miss potential revenue related to those contracts.

SP services fall into two categories: core and enhanced. The pharmacy offers core services that are part of its standard operational model, which do not incur additional costs to the manufacturer.

These are a consistent set of services that are provided as a baseline across all medications. Enhanced services are additional services provided by the pharmacy that allow the manufacturer to customize their programs based on the unique needs of their patients. All enhanced services are provided for a fee charged to the manufacturer.

SPs and manufacturers must ensure enhanced services are clearly laid out in the contract and detail the appropriate fees tied to them. Additionally, there must be a consistent, market-wide definition of core versus enhanced services. Each SP is accountable for determining its standard definition of core services available to every program, while pharmaceutical manufacturers aim to ensure they are consistently paying for the appropriate services.

There has been an evolution of core vs. enhanced services over time; however, it has been accelerated over the past five years due to the following market changes:

- Payer reimbursement reductions, resulting in pharmacy margin compression
- Rare and orphan products requiring a higher level of customer service
- Increase in medications covered under the health plan medical benefit
- Rapid growth of vertically integrated organizations
- Increase in the number of SPs in the market, including health system specialty pharmacies



The following table can help in determining which pharmacy services are historically defined as ‘core’ versus those defined as ‘enhanced’ (or potentially somewhere in the middle):

SERVICE	CORE	ENHANCED	VARIABLE
Benefit Investigation	+		
Medical Benefit Processing			+
Obtaining Additional Information from Prescriber	+		
Copay Assistance Support	+		
Alternate Funding Support	+		
Prior Authorization Support			+
Appeals Support		+	
Patient Welcome Call	+		
Patient Education/ Counseling	+		
Pharmacist Consult	+		
Triage to Alternate Pharmacy	+		
Warm Transfers		+	
Non-Commercial Dispensing		+	
Drug Shipment (Cold Chain, Overnight)	+		
Digital Technology (Texting, App, Website)	+		
Refill Reminders	+		
Rescue Calls		+	
Customized Clinical Adherence Interventions		+	
Prior Authorization Reauthorizations	+		
Shipment of Patient Materials		+	
Data Reporting		+	
Data Portals/Analytics		+	
Dedicated Staff/Resources		+	
Account Management			+
Quarterly Business Reviews			+
Program Management			+
Adverse Event Reporting to Manufacturer		+	
Adverse Event Reconciliation		+	

Best Practice #2

Ensure All Services Fall within Fair Market Value

*Do you justify each service fee within FMV?
Is there a process to document and recall
FMV justifications when needed in the future?*

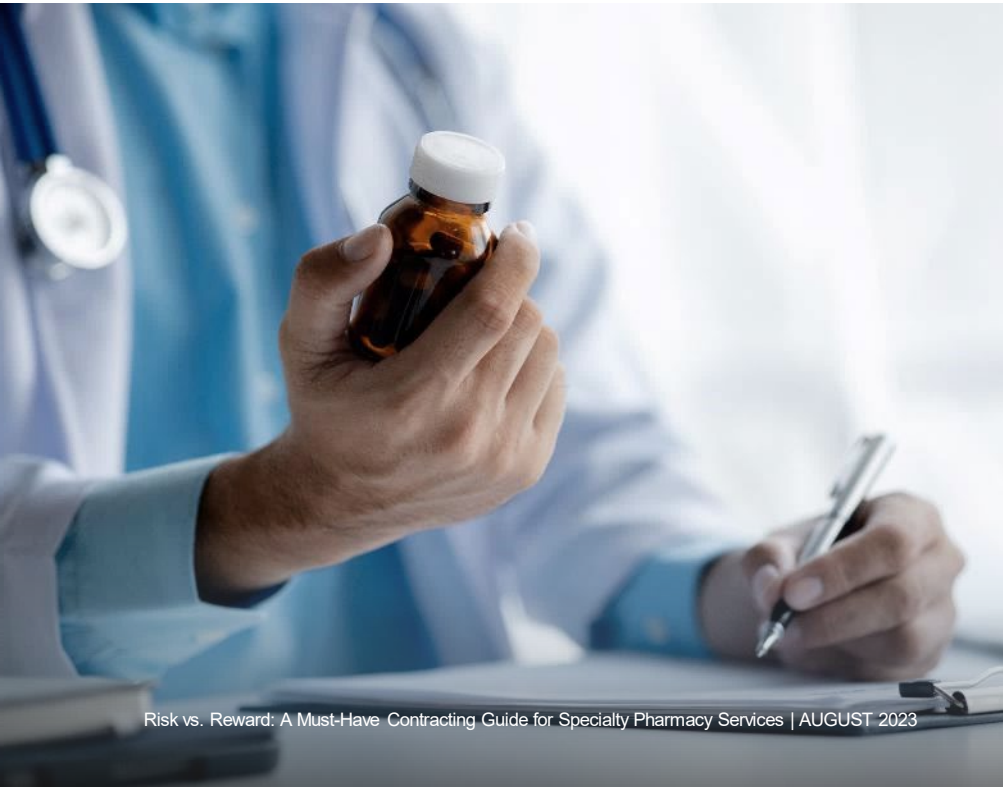
The most crucial risk every organization needs to consider within pharmacy contracts is ensuring all enhanced services fall within Fair Market Value (FMV), a legal term that defines the appropriateness of payments when there are conflicting or at least multiple justifications for those payments. Industry enforcement regulators have increased the importance of FMV for all stakeholders. It is critical for pharmacies and manufacturers to regularly evaluate the services provided and any fees associated with those services. The opportunities identified during contract reviews allow organizations to re-open financial negotiations based on industry benchmarks and ensure FMV is justified for each service fee – both of which may lead to saving money in the short and long-term (via reduced expenses and mitigating future financial penalties).



Many pharmacy contracts have clauses that require both parties to be within FMV, thus furthering the need to ensure compliance among all contracts. Pharmacy contracts must stand independent of any parent or affiliated companies so financial attributes of one contract do not influence another (i.e., pharmacy data contract vs. provider services.)

All stakeholders within the pharmacy contracting environment must be confident that their contracts reflect the appropriate services and that all service fees fall within FMV. The following are critical factors stakeholders need to be aware of regarding FMV compliance:

- Manufacturers need a process for evaluating pharmacy contracts to ensure FMV determinations are accurate, and patients are getting a consistent level of service across the pharmacy network. They must also be cautious about overpaying or underpaying for pharmacy services, especially when it involves the combined service fees of a payer-owned SP. Any arrangement seen as a manufacturer overpaying SP fees or paying below market rates to seek a market advantage may have heavy implications.
- SPs offering service fees outside of fair market rates could expose them to Anti-Kickback scrutiny or other potential penalties – even if service fees are below market value, these may be seen as an improper attempt to gain a larger share of federal healthcare programs.



Best Practice #3

Align Contracts to Mitigate Risk and Optimize Value

Are there any current situations where the same service is 'Core' in one contract but 'Enhanced' in another?

To mitigate potential governmental investigations, all pharmacy contracts must be consistent regarding core versus enhanced services (i.e., services that never have a fee vs. services that always carry a fee.) To successfully align contracts, be sure to:

- Determine which contracts contain similar services
- Ensure similar fees are within a reasonable range
- Identify potential opportunities for renegotiation
- Engage a third party for a “fresh set of eyes”



Best Practice #4

Establish a Consistent Process for Contract Evaluation

Do you have a process to review contracts and associated service fees regularly?

Federal enforcement actions have increased the importance of FMV for all stakeholders. An FMV opinion provides confidence that the prices are for bona fide services, which mitigate future risk from inquiries and investigations. Manufacturers and SPs must regularly evaluate their services and the contracted service fees offered to their patients. If your organization does not have a regular review process in place, we recommend that you:

- Set aside time (at least annually) to review all contracts
- Ensure new or updated preferences are included in existing contracts (including input from Legal or Business teams)
- Identify outdated services in need of renegotiation
- Ensure core services are up to date





Summary

Contracting with SP networks can be challenging to understand. Archbow's SP experts can help manufacturers and SPs navigate this evolving space by developing an FMV process that reviews current contracts and service fees, defines core and enhanced services, and obtains a customized FMV assessment. Each stakeholder within the pharmacy contracting space needs to be educated on the pitfalls, risks, and contract updates required.

Archbow's FMV opinions cover service fees across the industry, including Specialty Pharmacies, Specialty Distributors, PBMs, 3PLs, HUBs, Data Aggregators, HCPS, and GPOs. Market trends and the value of services are constantly changing, and Archbow has the experience and expertise to ensure your organization is set up for financial success. Contact us today if our expertise in this space can help your team: info@archbow.com.

About Us

Archbow Consulting helps pharma and biotech companies reach their commercial goals with strategic and tactical distribution, pharmacy, and patient access approaches. Our integrated approach to commercial planning streamlines end-to-end commercial optimization in a way that gives clients a competitive edge. Archbow's leadership team has an average of 25+ years of real-world experience that we apply to anticipate and proactively solve the challenges manufacturers face.

Connect with Archbow Consulting

[Archbow Website](#)
[LinkedIn](#)
[Email](#)