

The Subtle Difference in PBM Pricing Worth Thousands



Pharmacy terms and acronyms are pretty common these days. Most benefits team members who work on health plans have a good grasp on terms and acronyms like AWP which means *Average Wholesale Price*. While your team may know what these terms stand for; they often do not understand the relevance of the term when it comes to evaluating your pharmacy contract or pharmacy benefits manager. And that, is a critical gap.

"In PBM pricing, the contract terms and definitions are just as important as the discount numbers themselves. Subtle differences in wording can be worth thousands of dollars to your benefits program, if not understood and accounted for, in any PBM RFP process."

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Let's take the term *Average Wholesale Price* (AWP). Most benefits professionals can identify this as the drug world equivalent to an MSRP (Manufacturer's Suggested Retail Price). The information is aggregated and maintained for every prescription drug on the market. However, what your team may not know is that the AWP dollar amount itself is almost irrelevant, given nobody pays

a price even close to it. So, what does that mean for your organization if you are currently reviewing your pharmacy benefits contract? It means the best use for obtaining the AWP, if you're seeking it in a request for proposal, is merely to use it as a common reference point. This reference point can help you in calculating and comparing drug discounts and related guarantees across the different pharmacy benefit vendors you may be looking at.

But here's the catch with using AWP as a common reference point. Say you're looking at a retail brand discount of AWP minus 20%. It may seem very competitive on the surface but if the contract terms and conditions were not included, or carefully managed beforehand, that 20% could in reality be far lower.

It's important for your benefits staff not only to understand what the terms mean, but how they apply to your negotiated pharmacy contract. The subtle nuances here can make a big difference in thousands of dollars spent or saved.

One way to help your staff is to ask your Alliant representative for a copy of our Rx Terminology Guide. This helpful tool walks you through the most common pharmacy terms and their impact and relevance on your pharmacy benefits contract.

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