



CASE STUDY

Carved In Prescription Drug Contract Renegotiation Yields Cost Savings

Negotiations with current vendor leads to significant Rx savings for company with a CBA workforce.

Issue

A manufacturing company was seeking cost control measures within their health plan and was considering whether to carve out their prescription drug plan to a pharmacy benefit manager (PBM). However, this task was difficult to accomplish as the company was locked into a multi-year contract with their current medical and prescription drug administrator and would incur a significant financial penalty should they terminate the current prescription drug arrangement. Additionally, 50% of their workforce was covered under collectively bargained arrangements (CBA), so making significant plan changes was not feasible, and thus added to the difficulty of making changes to the prescription drug plan.

Solution

As the company wanted to explore the concept of potentially carving out their prescription drug plan to a pharmacy benefit manager (PBM), and given the plan change obstacles they were facing, as a first step Cowden proposed that they complete an in-depth review of their current pharmacy contract and pricing. The focus of the analysis was to determine the potential savings that the client may obtain while minimizing employee impact. Cowden, along with our pharmacy consulting partner, completed an in-depth review and analysis of current pharmacy utilization and contract terms. Though typically difficult to negotiate contract and pricing provisions on a carved in prescription drug program with a national insurance vendor, successful negotiations ensued. The final result yielded significant plan savings with no disruption to employees.

Result

- Cowden was able to successfully renegotiate the terms of the contract
- No impact to employees
- The company saw an estimated annual plan savings of \$214,500 (8.6% of projected plan costs).



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