

Aetna Inc - Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Interview conducted on June 13, 2023

Topics

Contract Negotiations, Medical Benefits, Pharmacy Benefits, Cost Containment, Infusables, Negotiation Models, Proprietary Fee Schedules

Summary

A Tegus Client spoke with an expert about national payers such as Cigna, Aetna, and United and their use of integrated approaches in contract negotiations. The expert confirmed that Cigna, Aetna, and United are among their top five payers in different markets and that Cigna and United are the most active in shifting medical benefits to pharmacy benefits. The expert also discussed United's management strategies, including their efforts to shift infusible medications from the hospital to the home setting. The conversation also touched on Cigna's successful cost containment methodology and Aetna's lack of activity in taking infusion out of the hospital setting. The expert explained the negotiation process for rates in the healthcare industry, including hospital-based contracts and percent of charge rates. Some commercial plans are 1% above the Medicare rate.

Expert Details

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida. (Pharmacy) Expert can speak to contracting with PBM payers from a pharmacy's perspective.

Expert is currently the Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida. Reporting to the System Chief for the Pharmacy Enterprise, the Expert oversees contracting for all oncology-related pharmaceuticals from a managed care standpoint. This includes negotiating medical benefits/pharmacy benefits and overall responsibility for contract arrangements with PBM payers. The Expert can speak to reimbursements and Medicaid/Medicare as it relates to the pharmacy.

Q: Pharmacy: Do you have an overview of pharmacy services contracting for your organization?

A: Yes, I help lead this process for my department.

Q: Pharmacy: Are you seeing any recent changes in how new plan/PBM combinations (Cigna/Express, Aetna/CVS) are contracting with your system? (e.g. different contracting models, bundling rate requests with "goldcarding", reweighting of increases from hospital to clinic setting, etc)

A: Yes, there is a new program called Cigna/Pathwell that came into play. In exchange for gold carding, many payers want better rates.

Q: Pharmacy: Are these plans bundling rate negotiations on medical with pharmacy or are these still siloed?

A: Providers are pushing back on bundles in the fee for services environment.

Q: Pharmacy: Do you see integrated delivery systems thinking about pharmacy and clinical care contracting strategy for each payer in an integrated way or still as separate, unintegrated discussions?

A: Integrated - happy to elaborate on a call.

Tegus Client

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Good morning, thank you very much for making the time for the call. I'm trying to understand to what extent are Cigna and Aetna and maybe United starting to use more integrated approaches in their contract negotiations that bring in both the pharmacy side of the business with the medical cost side of the business. And I figured you and your role would really have a pretty good insight into that.

I'm also interested to what extent other kinds of programs, and you mentioned in your response to Cigna Pathwell, what kind of impact those are having as well. So that's the sort of the big scope of kind of where we want to get to. If you don't mind just kind of starting with kind of a summary. First, which national payers do you have the most exposure to? Do you have Cigna? I'm guessing you have Cigna down there in the market. You've got CVS. Who you all got?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes, absolutely. Cigna, Aetna and United are among our top five payers in our different markets over four different counties. So we work very closely with them. And I would say Cigna and United are probably the most active in terms of measures to shift medical benefits to pharmacy benefits due to the large cost saving potential that, that brings to them.

Tegus Client

Just to clarify, assuming the other one would be your local Blue and then maybe Humana, would that round out your top five?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

I think that's about right, yes.

Tegus Client

And so why don't you just start if you could, tell me what you're seeing that's new over the course of the last like 12, 18, 24 months or so from Cigna, Aetna, United. Those three, I'm most interested in. I'm also most interested in commercial rather than Medicare, actually, why don't you tell me first before we go there, how much of your volume or dollars roughly are commercial, so under 65 million and over 65?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

So the question is how much of the volume is commercial versus Medicare.

Tegus Client

I'm assuming Medicare is probably a pretty large role.

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

It really depends on our market. Again, we have some markets that are very high Medicare, close to 75%. We have some markets that Medicare is 1/3 of the pie. So it really depends on the specific geographic location there. But I would say, overall, looking at the entire span of the system and not looking at oncology because oncology tends to have more Medicare, it seems cancer is more common in the elderly, I would say about 35% to maybe 40% is Medicare. About 1/3 is commercial. And then other plans that they are in between when you divide, HMO, PPO and so forth.

Tegus Client

And just in the commercial world, just remind me what you see in the cancer world, what is the split that you see in commercial versus Medicare? I'm aware that it's going to be a lot more Medicare. How much more is it?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South

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Florida

Yes, it could go up to like 45%, sometimes 50%. I mean we stratify them by disease state sometimes. It could be significantly different depending on how you look at it. But I would say, in our experience, in our geography, just exclusively looking at oncology, it could go up to 50% sometimes. 50% Medicare, just to clarify.

Tegus Client

What would you say you're seeing new from Cigna, Aetna and United, those three, in the last one and a half years, two years, both in terms of contracting and in terms of management? You talked about the shift from medical benefit to pharmacy. Tell me a little bit more about that and what else you're seeing.

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Absolutely. So I'm going to start with United because I think they have a longer history of management strategies. And so United as a national plan has really had a number of infusible medications that they want to take out of the hospital infusion space because as you know, with hospital charges, that's the highest cost setting for a payer.

And so they have, every year, sort of relaunched different policies that have different medications in them. This tends to be the medications that are more manageable outside of the hospital, including the home setting, things like IVIG, different iron infusions, infliximab, and sometimes even ultrarare disease products like SOLIRIS or eculizumab or ULTOMIRIS, ravulizumab tend to be on those lists. These are very high-cost products as well because they are for rare disease.

Now United does seem to, every year, sort of evolved the list and the policy. They really have challenges with the uptake of the policy. It looks like it is not really 100% enforced in every setting. And they struggle just really having a good uptake of the policy. More recently, through colleagues and just common understanding in the community is United has been trying to leverage that. We share with some practices to say, "Well, if you want to remain and retain control to provide all of these therapies in your hospital setting, you could go ahead and do that, but I'm going to give you instead of the United negotiated rate, I'm going to give you a different rate."

I'm just using as an example, 150% of the Medicare rate, which, again, would give United that cost savings opportunity compared to their contracted rate. And it is up to those providers to make concessions to that or not, but I know that that's one of the strategies.

Now as you may know, there is emerging legislation at the national level on these sort of issues where providers and so some of the legislation has been really well-done as is the example of Louisiana, where not only carriers like United and others cannot tell the provider which products they can do in the network or in the contracted provider network and which ones have to go to United-preferred areas.

Not only does the bill prevent United from doing that, it also prevents United from giving them a different rate than the contracted rate. So I think that, that is an outstanding bill because it covers both of those things there with United. Anything else that you would like me to expand on United before I move to Cigna?

Tegus Client

So you've been hearing from colleagues about a specialized network that you have to participate in. I'm curious if you can give me a sense of the ranges of difference. And so if my rate with United in my own system regularly was 100%, how much of a discount are they looking for relative to my normal rates in this specialized network? You said it's not like 150% Medicare, but I don't have a frame of reference for what it would otherwise be.

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes. So to be very direct, that will depend on each of the facilities because those contracts from United, first of all, they will never pay 100% of the charges. That doesn't exist anywhere. I'm not giving any specifics

there. Let's just use an example of like 40% of the charges. And so if they decide to instead do 150% of the Medicare rate, and they are paying 40% of the charges. That's just doing math there.

And of note, the facility does drive the other numbers. So United pays 40% of what the facility charges. And that facility can update these charges whenever they want. In most scenarios, sometimes some of the contracts allow for updating of prices once a year. And it could be updates in prices based on just rate of inflation of at least 3%. Inflow is significantly more based on cost going up and things of that nature. So that math would be a little bit different for each entity, if that make sense.

Tegus Client

Yes, it does. The 150% Medicare rate, is that for commercial?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes. So instead of giving a percent of charges instead of United giving a facility a percent of charges, it is much safer to say 150% of the Medicare rate because that is not charge sensitive. That way, they secure that the practice will not be able to increase the prices. And if they do increase the prices, there's still reimbursement.

Tegus Client

I understand that it's going to vary by facility, but I have no frame of reference. 150% of Medicare, is that like a 50% cut relative to what the facility would have gotten on a percent of charges, roughly, on average?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

That question cannot be answered because that is different for every single hospital.

Tegus Client

So United is saying for everybody, "Look, it's 150% of Medicare. If you want in a network, that's what it is. If I'm currently paying you 500% of Medicare, then you've got a big discount. If I'm currently paying you 200% of Medicare, then it's a little discount. But basically, it's 150% of Medicare." Is that what you're saying?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes, 150% is an arbitrary number. And obviously, the goal for United when they put this on the table, it's really to drive cost savings from a hospital charge that the provider, the hospital continues to have control over because they modify those charges, right? So they win on both ends there. They win on a better rate and not giving the provider the ability to increase charges anymore.

Tegus Client

Let me just also then come back. At the very beginning, you said, "Hey, United is having a hard time consistently getting these policies enforced." Why is that? I get the Louisiana legislation. I've heard of that. There are other states that are considering similar things. But outside of that legislative barrier, why does United have trouble getting this enforced?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Well, I think providers push back. Every provider wants to retain the ability to take care of their patients. And so when these policies come to place, they further fragmentate health care, sending those patients outside of the system. It takes a lot of pure coordination, lots of opportunities for missteps. Safety, quality will take a toll.

Tegus Client

I totally get that, it sounds like providers are successful. I mean not all markets are providers successful at

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pushing back. So at least it sounds like you're saying in your market, in some cases, providers can successfully push back against that.

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes, absolutely. If you go all the way deep into it, including regulatory, I don't believe that these policies, at the end of the day, are enforceable. I think United, I know they'll try to push it. But at the end of the day, I don't think they're 100% enforceable.

Tegus Client

So let's talk about the next one, Aetna or Cigna. Where would you like to go next?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Cigna is where I have most feedback compared to Aetna. So I think Cigna has more recently trying to revamp their methodology for cost containment, but they really have some stringent policies in place. They seem to be very organized with these policies. Their policies are also aiming to take care outside of the hospital setting as a cost savings.

I think the launch of the Pathwell Cigna program is an example of that for a specific type of membership within Cigna that does not have those infusion benefits in the hospital setting. I understand the Pathwell is a small percentage of patients compared to other Cigna memberships. So that tells me that this is a little bit of a pilot just to see where they land there.

Cigna has been known for partnering with nonhospital-based practices and even to help them develop infusion capabilities, so they can have that patient shift be successful in local markets. And when we get an authorization for given drugs, including some oncology drugs which oncology has been the space that payers have not messed much with, but now we see even some of the oncology medications are being redirected to the increase outside of the hospital setting.

Tegus Client

And you say it's a relatively small percent of the members. If you had to hazard a guess, what percent of the members are you seeing under this program?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Don't think I can do justice to give you a number. What I could probably say more comfortably is that in my experience, I see it being less than 5% of my Cigna patients.

Tegus Client

And you say it sounds like they are more successful at doing this at enforcement, at least within that 5% than United is. Am I hearing you right?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

I think that that's fair to say. United has been going at it longer, with making more changes year-to-year. Cigna seems to be most organized and definitely having a specific program for this in the last 12 to 24 months.

Tegus Client

Is there something else you'd like to say about Cigna?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

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Well, you know there is a peer-to-peer process. When you follow that and you get a denial, then you may have the ability to be transferred to like a third-party company that does an independent assessment. The challenging thing here is that these policies are not based on medical necessity. It's just a site of care thing.

It's just saying this drug in one setting versus the other. So a lot of times, those peer-to-peer are unsuccessful for the provider that are denied because it's not really about the medical discussion, it's more of a logistical discussion of where the patient gets the drug, if that make sense.

We have a significant Aetna population, including our employer, just has Aetna as two options. We do not see very active measures in our market to try to take infusion out of the hospital setting. I don't think a single case has been escalated to me when it comes to Aetna.

Tegus Client

So summary seems to be United has been pushing on this for a longer period of time, not altogether successfully, and they're introducing a new strategy that basically it sounds like, "We'll let you figure out where you want to do the infusions. We're not going to try to push it elsewhere, but you're going to have to accept a lower specialized rate."

Cigna has historically been relatively hands-off, but they're really pushing pretty hard on the site of care strategy recently, including building out capacity. You've seen that in a small number of patients. You're anticipating that that's going to end up growing because they do seem pretty successful at it.

And some of the levers that providers have to push back aren't available because it's focused on site of care rather than a medical discussion. And Aetna is still relatively, I'll say, from a care management perspective, prior authorization perspective, more hands-off. Have I got that, overall, right?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes. I think the only distinction I will make there is United's first approach is to have those infusions come out of the system. They always approach you with that first. If there is pushback, they give you the option to keep those patients within your system, but then take the 150% of the Medicare rate. So you may potentially find out there are facilities that go either way in those two negotiations.

And then for Cigna, I think it will be fair to emphasize more that they have, through partnerships, not so much through them building their own infusion centers, but these contracts with existing smaller non-oncology focused infusion centers, it is very well-known that they have really leaned on that methodology with more success in some markets compared to understand that strategy has been more successful on the West side of the country compared to the East, but they seem to be moving the needle there slowly.

Tegus Client

So let me ask you this. When a big system sits down and negotiates with the Cigna or United or Aetna, I imagine that system is going to have certain volume assumptions about how patients from those payers are going to distribute and use care, including high-cost infusables, which I think, historically, been relatively profitable for systems and important drivers of the overall economics.

These kinds of programs seem to come in, shall we say, after the fact and after a negotiation about an overall sort of rate deal and change that volume and try to shift that volume into other locations. Am I thinking about that the right way? I imagine from a provider perspective, that sort of changes the terms of the contract, right?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

No, I think it's fair to say. I don't believe most providers are accepting either of those terms, which is why people are going through legislation, and it's why there's advocacy. We are completely contracted with United and Cigna. And when that patient purchases health care, they purchase health care knowing that they can access my brand name health system. And it is not clear for the patient on point of purchase that

they cannot access me as a health system for certain products.

So again, I think from a regulatory standpoint, we believe these policies are not enforceable. And let me say it this way. I only know one provider, and I talk to people about this nationally, that made concessions to reduce the payment rate that they get to keep all of their patients.

Everybody else that I talk about is absolutely not given an answer on this, and they do the peer-to-peer, and they fight it, and they keep the patients. And I think that's why United and Cigna has now been able to shift care completely.

Tegus Client

So what you're saying is, yes, these programs are there, but it sounds like you're relatively confident that you'll be able to either have it so far and ultimately, will be able to prevail in keeping patients internal. I am curious though, I guess, just from a contracting rate, when the provider and the payer sit down and do a contract, am I right in thinking that there's going to be certain volume assumptions based on what that's going to look like, and there may be a bit of horse trading here and there, but an important piece for any provider is understanding that they'll be able to make the margin on the pharmacy because that goes to fund all kinds of other programs? Am I thinking about that the right way?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes. In terms of the pharmacy funding the overall programs, key point there that you already have. The volume projections are something that payers really have a good handle on. I think what payers also tend to do as a recommendation for negotiation is to shift the rates. And so for example, UnitedHealthcare may say, "I'm going to give you five more percent reimbursement in all the imaging that goes on in your system if you give me a 3% discount on what I pay to you on the drugs."

And so the concern there will be, "Well, guess what, United, imaging is not changing over time when you look at into the future. The pipeline of drugs come in my way is huge. So I'm not going to give you a 3% discount on a huge book of business for you to give me 5% more on imaging, which is not a big book of business for me." So you're right, volume comes in here to play a big role here.

Tegus Client

That scenario that you just described, is that a common one?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes, this is one of the common tactics, and they refer to as cost shift, the shifting costs from drugs to other services.

Tegus Client

It sounds like you're savvy enough to see what the pipeline looks like. And so those are not necessarily terms that you're going to accept. Let me ask you, as you talk with your colleagues, are there others that have said, "Yes, we've actually taken that deal"?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Not the cost shift deal. And I have to confess, this is sort of like a professional interest for me, and I do deep dives into understanding these things. A lot of my colleagues don't have that advanced understanding. They may not engage with revenue cycle or managed care because this takes an entire organization being aligned on what to do with this super huge negotiation and the impact.

And so unfortunately, I do see that on the provider side, there are misconceptions and a lack of a clear understanding on how all of these things play to be able to have a sound negotiation for the provider. Payers, on the other hand, have a very good understanding, are armed with data and trends to the

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negotiation table. So they have much to win.

Tegus Client

Yes. I would imagine, I mean, you, in particular, like your system, given its prominence and if I'm recalling right, that there's a new oncology center that your system has launched, that's really quite prominent.

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Not aware that we've newly launched. The last launch was like five years ago.

Tegus Client

Yes, that's what I'm thinking of. I think oncology takes a long time. So I think of that as relatively new. But that was a pretty major and substantial investment, which I'm just imagining it's really hard for some of these health plans not to have you in the system. So your system would tend to have, should I say, more leverage in negotiations than maybe a lot of your colleagues would. Am I thinking about that the right way?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

I think that's fair. If patients in a community want to be able to go to a place, and then UnitedHealthcare does not allow that place, they're very likely to shop for another insurance that allows them access to where they want to go. For a subset of the patient population, when you get into the important rules, then the employer is making those decisions for employee.

Tegus Client

To what extent in these negotiations, particularly around the rates, now I'm curious, is it done on a sort of disease service like oncology or cardiology or orthopedics? Or is it really done on the type of service delivered, imaging, pharmacy, surgeries? How does that work in terms of negotiation? Or is it all kind of done in one package?

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

I think it's a little bit of both. So the main contract is like hospital-based. So you have a hospital-based contract for all the hospital services, which include, usually, a DRG component for admissions and then fee-for-service for outpatient. But all of the outpatient departments, even though they may not be in a hospital, they may be miles away, they are an outpatient department of a hospital. That's why they're high cost to the payers.

And then the second layer there is there may be different rates for different services. And so generally speaking, though, the drugs, the admission, the professional charges, all of that is a percent of charge. It may be a little bit different for surgical services and radiation and imaging services.

Tegus Client

All right. So your market is one that is largely around a percent of charges market. I've heard that some of the payers are really pushing proprietary fee schedules or something that's more geared as you were pointing out with Medicare, but it sounds like what's broadly prevalent in your market still is a percent of charges reimbursement model.

Assistant Vice President - System Oncology Pharmacy Service Line for Baptist Health South Florida

Yes, in the last two organizations that I have worked with, that has been the trend. I do speak to colleagues where the commercial plans are 1% above the Medicare rate, which, again, makes it charge insensitive.

Tegus Client

Thank you very much for your time. You've been really, really helpful.

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