BeneSys™ Navigator

COMPLIANCE

Rx reporting is a promising remedy for the gap in drug pricing data

by Tom Shaevsky, General Counsel

Tom Shaevsky is general counsel at BeneSys Inc. He has spent more than 25 years practicing ERISA/employee benefits law.

Prescription drug reporting by private health plans to government agencies has become a requirement every June 1. What is promising to witness is that the government is actually using this data to help improve understanding of retail prescription drug prices and spending in private health insurance coverage.

The Office of the Assistant Secretary for Planning and Evaluation (ASPE) of the U.S. Department of Health and Human Services presented its report, *Prescription Drug Spending, Pricing Trends, and Premiums in Private Health Insurance Plans: Report Required by the Consolidated Appropriations Act, 2021*, to Congress this past November.

The report begins by noting that more than 4,200 drug products had manufacturer list price increases from January 2022 to January 2023; the average change in the manufacturer list price was 15.2%, and the price increases were higher than the rate of general inflation for 46% of the drugs.

For many drugs, however, list prices are not the prices ultimately paid to manufacturers; payers or pharmacy benefit managers (PBMs) negotiate

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with manufacturers for rebates off the list price. These post-rebate, or "net," prices paid by private health insurance plans may be higher than the net prices received by manufacturers because of markups and amounts paid to PBMs.

Historically, comprehensive data on the net prices paid by health plans did not exist. To address this gap in data availability, section 204 of Division BB of Title II of the Consolidated Appropriations Act, 2021 directed private health plans to engage in prescription drug reporting, or RxDC, which now occurs every June 1 to the Departments of Health and Human Services, Labor, and the Treasury.

For its report, ASPE contracted with RAND Corp. to conduct a literature review, analyze the RxDC data and present the results. Below is a summary of some of the key findings from RAND's analysis based on the initial two years of RxDC data (2020 and 2021).

Prescription drug spending and coverage

- The US spent $406 billion on retail prescription drugs net of rebates in 2022, up from $291 billion in 2014. Per-capita retail prescription drug spending rose an average of

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3.8% per year over the same period, from $974 in 2014 to $1,227 in 2022.
- In 2020 an estimated 143 million Americans had prescription drug coverage from private group health insurance plans (mostly employer-sponsored), and an estimated 11 million had prescription drug coverage from individual market health insurance plans.
- Average deductibles and out-of-pocket maximums in employer-sponsored coverage have generally increased since 2014. Employer-sponsored health insurance plans are making greater use of coinsurance, in which members pay a percentage of a drug's cost, rather than fixed copayments. Perhaps not surprisingly, employer-sponsored health insurance plans have also adopted benefit designs with a larger number of cost-sharing tiers, allowing them to set higher cost-sharing for more expensive brand drugs.

Prescription drug pricing trends

- Estimates suggest gross drug prices have been growing more rapidly than prices net of rebates paid by manufacturers to PBMs. Ratios of total spending net of rebates to gross spending including rebates were 0.80 in 2020 and 0.78 in 2021, with variation across therapeutic class, market segment and state. Rebates therefore accounted for 20%–22% of gross drug spending in employer-sponsored and individual market plans in the RxDC data, a smaller share than the 31% in Medicare Part D or the 53% in Medicaid.
- Net-to-gross spending ratios varied by therapeutic class, in line with the results of previous research on rebates from the manufacturer perspective by therapeutic class.
- Between 2020 and 2021, ratios of cost-sharing to spending at net prices rose slightly for four of five therapeutic classes chosen for the analysis, even as the ratio of overall net-to-gross spending fell.

The effect of prescription drug costs on premiums

- Consumers are highly sensitive to premiums; when choosing health insurance plans, consumers tend to be more concerned about the cost of premiums than they are about expected out-of-pocket costs, which — interestingly — would give plans an incentive to raise out-of-pocket costs rather than premiums when faced with increases in prescription drug prices.
- Some technical expert panel participants mentioned that plans and issuers may respond to increases in prescription drug costs with changes to formularies or utilization management rather than premium increases.

RAND suggests that growth in rebates is leading to relative decreases in net prices, but that this decrease may not be reflected in lower cost-sharing for patients.

Private health insurance coverage is the largest source of prescription drug coverage for Americans. Higher gross prices for certain specialty drugs appear to have been a significant factor in recent increases in drug spending, spending at net prices has been growing at a slower rate than spending at gross prices, and spending at both kinds of prices has been growing faster than drug volume alone.

In sum, as cumbersome as prescription drug reporting may be for plans, it is encouraging that the federal government is utilizing the data to help better understand prescription drug rebates in the private health insurance market. As data quality improves, deeper analyses of the relationships between drug spending and premiums may occur. •

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TECH NEWS

With great data comes great responsibility

by Jason Wolan, CIO

Jason Wolan is chief information officer at BeneSys Inc.

The U.S. Department of Labor (DOL) officially updated its cybersecurity guidance in September 2024 to explicitly include all employee benefit plans governed by ERISA (the Employee Retirement Income Security Act), encompassing both retirement and health and welfare plans. As a third-party administrator in the Taft-Hartley space committed to securing the data of our clients and their members, BeneSys has a responsibility to ensure strong, progressive adherence to these guidelines.

The update, issued through Compliance Assistance Release No. 2024-01, reaffirms that the DOL's 2021 cybersecurity guidance applies broadly to all ERISA-covered plans.

The guidance (available at bit.ly/3CK8GqE) covers three key areas:

- **Tips for hiring a service provider:** Assists plan sponsors and fiduciaries in prudently selecting service providers with robust cybersecurity practices and monitoring their activities, as required by ERISA.
- **Cybersecurity program best practices:** Offers strategies for plan fiduciaries and recordkeepers to manage cybersecurity risks effectively.
- **Online security tips:** Advises plan Participants and beneficiaries on basic rules to reduce the risk of fraud and loss when accessing their retirement accounts or other employee benefit plan information online.

The DOL emphasizes the critical importance of safeguarding job-based benefits and personal information from cyber threats, urging all ERISA-covered plans to implement appropriate best practices.

While the DOL guidelines do a great job of putting forth a framework and benchmark for all entities servicing these employee benefit plans, they are also just that, a framework and a benchmark. Truly, as a TPA and steward of PII (personally identifiable information), PHI (protected health information), and the vast amounts of operational data required to deliver our services, it is our job to be progressive, taking a highly defensive position with our cybersecurity program in an environment that must constantly adapt and react to new threats. Our aim is to maintain a proactive cybersecurity approach focused on iterative projects that allow us to continuously improve our risk-averse, defensive security posture. This approach will help us safeguard our operations and our clients' data, and maintain our position as stewards and partners for each of our clients' operations. •

ABOUT BENESYS

BeneSys has been providing Taft-Hartley trust fund administration and IT services since 1979. Our dedicated specialists understand the nuances of Taft-Hartley benefit plans, and our software system, BenefitDriven, is designed to give our clients and their plan Participants the most efficient tools for self-administering trust fund accounts.

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FROM THE CEO

Focused on your feedback

by Ed Wolyniec, CEO

BeneSys began 2025 with a renewed focus on improving our service to you, with some changes already delivering results. Our health plan services area, for example, experiences its highest volumes in January and February as plan modifications go into effect, so we added staff to handle the load. Our internal call metrics showed significant improvement in speed to answer and abandonment rates compared with the same time last year.

In our pension department we implemented a national pension audit team, demonstrating our dedication to enhancing the quality of our work, and in our healthcare departments we started tracking reasons for calls so that we can proactively identify trends, potential issues and areas of improvement.

We also focused on your responses to our annual client satisfaction survey. I am pleased to report that we saw a slight improvement in overall client satisfaction, but more importantly, there was a drop in client *dis*-satisfaction. That tells us we're on the right track with recent enhancements, including increasing staff on member support lines and deploying better tools to manage calls and workflow.

As BeneSys continues on our journey to be the best TPA in the Taft-Hartley space, our annual survey is one of the most important data points on our progress. Thank you to everyone who took the time to respond.

Remember that you don't have to wait until the next survey to give us feedback, positive or constructive. You're always welcome to reach out to me directly: ed.wolyniec@benesys.com.

We appreciate you and the opportunity to be your partner. •

CLAIMS CORNER

SpyGlass drives quality in claims automation

Automation is not only about saving time; it also empowers teams to focus on what truly matters. As the BeneSys Conversion Factory Team transitions clients from our legacy claims system to SpyGlass, we continue to see huge gains leveraging the platform's automation capabilities to eliminate repetitive tasks, reduce manual review, improve accuracy, and free our team to tackle strategic priorities that deliver more value to the trusts we serve.

SpyGlass has set the standard in the industry when it comes to claims automation. The platform's rules-based adjudication engine automates straightforward to highly intricate benefit calculations to drive high auto-adjudication rates and ensure claims are paid accurately and on time. Strong auto-adjudication is the foundation not only for the efficient, timely processing of claims but also for increasing accuracy by avoiding the inherent variability associated with manual decisions, all of which help maintain our high levels of member and provider satisfaction.

BEACON TECHNOLOGIES GROUP, INC.

Beacon Technologies Group, a leading provider of health claims management solutions, including SpyGlass, is part of the BeneSys family of companies.

As the SpyGlass migration process continues, we've seen auto-adjudication rates jump as much as 20%–40% compared with our legacy claim technology. These numbers continue to climb as we refine system logic and improve plan-building processes. Faster and more efficient claims processing leads to fewer errors and delays.

Each day, the powerful automation tools within SpyGlass process thousands of claims automatically, but the work of automation is not only about high auto-adjudication rates. SpyGlass offers all the controls needed to maintain the right balance of intelligent automation across all of the key avenues of claims administration. For example, automated reporting, correspondence, internal and external routing, and workflow all contribute to the success of meeting the unique needs of our diverse customer base and many interlocking vendors.

SpyGlass is helping us to offer a more rapid configuration of client benefit options and prepare for the future with better scalability. To learn more about how our SpyGlass technology can benefit your fund office, contact your plan manager or visit beaconspyglass.com. •