

Point of Sale Rebate Program (POS Rebates)



Program Overview and Reconciliation
Process

December 2016



Point Of Sale Rebate Program

POS Rebates

- Discounts passed to the client/member at time of service
- Discounts based on estimates/forecasts of rebates
- May be implemented through mail service pharmacies, retail network and specialty services



POS Rebate Client Benefits

Delivers consumer-driven health solutions

Provides immediate cost-saving recognition for members

- Controls rising healthcare costs while delivering beneficial services to members

Helps keep members healthy & satisfied

Effective for unique & diverse populations

Co-insurance and “true cost share”

- Allows plans to offer a true cost share to their members inclusive of any contracted discounts

Ability to have rebate benefit applied only to drugs that generate rebates

Increases cost transparency



POS Rebates Member Benefits

Lower co-insurance as a result of calculation based on a lower ingredient cost

Lower out-of-pocket cost when “lower of” logic is applied to flat-dollar, co-pay plans

Lower out-of-pocket costs during front-end deductible, stop loss, etc.



POS Rebates: How it Works – At the Point of Service

POS Rebates are estimated at the NDC level

- Discounts will vary based on client formulary, plan design and contracted rates

Applied as an offset to ingredient cost:

- Before co-insurance split so members will share at co-insurance level
- Members paying flat-dollar co-pays share in the rebate if the claim represents a portion of an unpaid front-end deductible, or if the claim cost is reduced below the applicable co-pay

Not available on out-of-network/paper claims

Web price quotes reflect POS Rebate amount

Claim Example: Co-insurance vs. Co-pay

Sample Plans:

		15% Pharmacy Network Discount 25% Co-insurance	15% Pharmacy Network Discount \$25 Co-pay
Drug Cost Calculation	Drug NDC WAC	\$10/unit	\$10/unit
	Drug NDC AWP	\$11/unit	\$11/unit
	Claim Quantity	10 units	10 units
	Claim AWP	\$110	\$110
	Claim Ingredient Cost	\$93.50 (\$110 x .85)	\$93.50 (\$110 x .85)
POS Rebate Amount	NDC POS Rebate Rate*	7%	7%
	NDC WAC Price	\$100	\$100
	Claim POS Rebate Value	\$7 (\$100 x .07)	\$7 (\$100 x .07)
	Ingredient Cost less POS Rebate	\$86.50 (\$93.50 - \$7)	\$86.50 (\$93.50 - \$7)
Client/Member Cost Share	Member Cost Share	\$21.63 (\$86.50 x .25)	\$25
	Client Cost	\$64.87 (\$86.50 - \$21.63)	\$61.50 (\$86.50 - \$25)
POS Rebate Value	Member POS Rebate Value	\$1.75 (\$7 x .25)	\$0
	Client POS Rebate Value	\$5.25 (\$7 - \$1.75)	\$7

*Rates will vary based on dispensed NDC. POS Rebate % for illustrative purposes only.
Dispensing Fee not included in this illustration



POS Rebates

Reconciliation Process –Approach

POS Rebate disbursements are estimates

- Are advances on rebates

POS Rebates are targeted to be between 95% - 100% of client share of rebates invoiced

Objective is to have all rebates shared with general plan population per client plan design / co-pay structure

- If POS Rebates are under-distributed (< 95%)
 - Increase POS Rebate rates in subsequent quarter(s)
- If POS Rebates are over-distributed (> 100%)
 - Reduce POS Rebate rates in subsequent quarter(s)



POS Rebate Reconciliation – Quarterly Adjustments and Reporting

Quarterly reporting and reconciliation

- Total POS Rebates distributed are reported quarterly
- POS Rebates are compared to rebates invoiced
- POS Rebate rates are reviewed and adjusted accordingly for the following quarter



POS Rebate Reconciliation – Annual Interim Settlement

Comparison performed annually in Q2 after prior Q4 invoicing

Compare POS Rebates to rebates invoiced

- If POS Rebates are below 95% of rebates invoiced
 - Payout additional rebate to meet 95% level **OR**
 - Adjust POS Rebates to distribute under distribution amount in future quarters
- If POS Rebates are above 100% of rebates invoiced
 - Adjust POS Rebates to collect over distribution amount in future quarters

Compare POS Rebates to any rebate guarantees

- Payout additional rebate if necessary per normal payment processes

Track amounts above 100% or below 95% for accounting at final settlement

Normal quarterly POS Rebate rate adjustment is performed



POS Rebate Reconciliation – Final Settlement

Compare POS Rebates to rebates collected

Comparison performed when collections have been finalized

- Typically more than 3 years later

Compare client share of rebates collected from manufacturers to POS Rebate Final Settlement Comparator plus any interim settlement adjustments already made

- Payout additional rebate if necessary per normal payment processes
- Debit overpaid rebate if necessary per normal processes