

# Hospice Pharmacy Connect

## Spread pricing for hospice prescription drug benefits: What you need to know

### ***What hospice agencies should know about spread pricing and pharmacy partnerships***

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#### **Introduction**

As a hospice administrator, your focus is on helping terminally ill patients live as comfortably as possible, with trained professionals and caregivers tending to patients' physical, emotional, social, and spiritual needs. By utilizing local professionals and caregivers, your hospice agency can economically achieve high-quality hospice patient care.

Though the Centers for Medicare and Medicaid Services (CMS) determines the preliminary conditions for agency participation in the hospice process, the most powerful impact on peoples' lives happens at the local level. Ultimately, local hospices and local pharmacies should join forces to enhance patient care. Pharmacy service managers can facilitate this and optimize operational processes that will further improve patient care, but not all pharmacy benefit managers offer processes that actually improve patient care.

#### **Pharmacy benefit considerations**

Your relationship with your pharmacy benefit service company can impact patient care and satisfaction scores. For example, many pharmacy benefit managers (PBMs) own the pharmacies within their network and fill prescriptions by mail order. The PBM not only manages the drug benefit but also fills prescriptions. Even worse, your hospice patients wait for medications instead of getting relief more quickly.

The benefit design should separate those two responsibilities by having the pharmacy benefit service company manage the prescription benefit while a local pharmacy completes the prescription fill. A contracting arrangement should match independent community pharmacies with independent hospice agencies, keeping local caregivers in charge of local care. When that happens, patients benefit from high-quality pharmacy services.

Additionally, the hospice agency should expect full access to all patient and prescription data with no hidden costs. Data access should clearly reveal what patients are receiving, how much pharmacies are getting paid, and any charges the PBM levies to the hospice.

#### **Spread pricing — what it is and why you should know about it**

Spread pricing can negatively impact your hospice agency because not only do you end up paying more for medications, but you also have no visibility into just how much you are overpaying. Most PBMs employ spread pricing, and the way it works is that the PBM reimburses the pharmacy for a certain amount and then bills your hospice agency at your contracted rates. Usually, the pharmacy's reimbursement is significantly less than your contracted rate. And the PBM will then pocket the difference.

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With spread pricing, your hospice agency has no idea what the PBM paid the pharmacy for that medication. And your agency has no way of knowing if you are paying too much for those medications because some PBM contracts may contain specific language prohibiting you from seeing that information or even asking your pharmacy. This lack of transparency on the part of PBMs prevents you from negotiating better prescription benefit contracts. What's more, if your local pharmacy isn't getting fair reimbursement for the medications they're filling for your hospice patients, it hurts that local business and may ultimately affect patient care.

## Hospice pharmacy benefit and formulary structure

The twin pillars of structuring a sound hospice benefit are ensuring quality patient care while shielding the hospice from unnecessary costs. Further, a benefit design that incentivizes local care can lead to higher patient, family, and caregiver satisfaction.

An agreed-upon formulary of medications for managing the symptoms associated with the patient's terminal illnesses drives a hospice's drug benefit. Any prescribed medication not on the formulary would have to be paid for outside of the hospice prescription benefit or would require prior approval (PA) by someone at the hospice agency. The PA process enables hospice decision makers to identify which products they want to have covered in alignment with specific patients' needs. The PA process ensures that patients receive necessary care while protecting the hospice from paying for medications outside its scope of financial responsibility.

A service contract should formalize all the details of a hospice agency's relationship with the local pharmacy, including mutually agreed-upon payment terms for medications and pharmacy services. Before reaching an agreement, whether medications will be provided via mail order rather than through a direct relationship with a local pharmacy is key for hospice management to consider. In the case of mail order, what happens if a new patient needs same-day delivery of an essential drug? Having to wait a day or two undermines the hospice's clinical support capabilities, whereas a local pharmacy could fill the need immediately and deliver a higher standard of care.

## Pharmacies as problem solvers and partners

Hospices and independent community pharmacies should be working toward a seamless partnership from which both sides stand to benefit. In many instances, the pharmacy can provide solutions to challenges the hospice encounters. For example, a pharmacy capable of providing medications in unit-dose packaging simplifies patient adherence to drug regimens. Similarly, a pharmacy offering home delivery of patient medications adds convenience, reliability, and a personal touch to hospice care services.

In terms of indirect benefits, a local pharmacy can also buttress the hospice's reputation within the community. Keep in mind that many hospice patients come through referrals from local doctors and hospitals. Having a pharmacy partner contribute to positive patient and caregiver experiences enhances the hospice's brand in the community, keeps referrals flowing, and strengthens the hospice's financial standing.

Overall, think in terms of incentivizing local pharmacies that have built their reputation on delivering prompt, personalized, and compassionate care. Those combined factors contribute to the best possible outcome for the patient, their family, and hospice-associated caregivers.

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## The U.S. hospice care market: numbers to know

The National Hospice and Palliative Care Organization (NHPCO) publishes annual statistics on hospice care delivery in the United States. NHPCO's most recent report ([NHPCO Facts and Figures, 2021 Edition](#)) reflects patients who received care in 2019 provided by CMS-certified hospices and reimbursed under the Medicare Hospice Benefit.

- The number of Medicare-certified hospices in operation across the United States grew from 4,092 in 2014 to 4,840 in 2019, for an increase of more than 18 percent over that time frame.
- Medicare patients enrolled in hospice totalled 1.6 million in 2019, up from 1.4 million in 2015.
- Medicare paid hospice providers \$20.9 billion for care delivered in 2019, up 8.5 percent from the prior year.
- Nearly 63 percent of Medicare decedents age 85 and older utilized the Medicare hospice benefit in 2019. Progressively smaller percentages of decedents in younger age groups received hospice care — 52 percent for ages 75-84; 41 percent for ages 65-74; and 29 percent under age 65.
- During 2019, most days of hospice care were provided at assisted living facilities (161 average days) and nursing facilities (109 average days), followed by private residences (95 average days).
- Among major hospice disease categories, patients with Alzheimer's, dementia, and Parkinson's used the Medicare hospice benefit for the greatest average length of stay (127 days), followed by stroke patients (115 days) and patients with congestive heart failure and other heart disease (85 days).

## Learn more

Learn more about spread pricing and how your hospice agency may be paying too much for prescription medications. Hospice Pharmacy Connect provides a pharmacy services manager with complete transparency and fair reimbursement to pharmacies. Hospice Pharmacy Connect also has close, trusting relationships with local independent pharmacies. [Contact us](#) to find out how we can connect you with local care from independent community pharmacies, with transparency and fair pricing.