



Road to the NCPDP 2019 Annual Conference 3rd Edition with Glass Box Analytics LLC



For our third edition of the “Road to the NCPDP 2019 Annual Conference,” we are featuring a conversation with **Todd Grover, Co-Founder of Glass Box Analytics LLC**. We will be discussing how Glass Box Analytics' Predictive Acquisition Cost (PAC) has transformed the drug pricing landscape since its introduction in 2012.

Tell us about Glass Box Analytics and the origin of the Predictive Acquisition Cost (PAC).

Today's business climate is too competitive and volatile to let intuition guide business decisions. “Going with your gut” or “we have always done it this way” decisions on pricing, negotiations and client management can create real problems for even the healthiest of organizations.

Glass Box Analytics brings together advanced statistical modeling techniques with deep industry domain expertise to provide solutions that address the most challenging issues facing organizations in our industry today. We have developed and delivered pioneering analytics-enabled applications that help these organizations improve precision, consistency and flexibility in their high-volume, high-dollar systems.

We launched PAC in 2012 to address industry concerns regarding drug pricing transparency and the issues related to the resolution of the Average Wholesale Price (AWP) litigation. Through various industry workgroups including the National Council for Prescription Drug Programs (NCPDP), Academy of Managed Care Pharmacy (AMCP) and state Medicaid directors, the industry was looking for a drug acquisition cost price benchmark that addressed the following needs:

- **Transparency** - bears a genuine relationship to the actual acquisition cost of the drug (in addition to this “relevance” definition, transparency also sometimes refers to being “understandable”)
- **Accessibility** - accessible and can be readily adopted by the industry
- **Comprehensiveness** - available for all branded and generic drugs



PAC Facts:

In 2018, 79.5% of generic drug acquisition costs moved by more than 10%, and the overall drug acquisition costs for generic drugs dropped 15.45%

In comparison, only 6.5% of generic Wholesale Acquisition Costs (WACs) and 1.4% of Average Wholesale Prices (AWPs) moved by more than 10%, creating significant challenges for organizations who rely WAC and AWP prices to guide pricing decisions

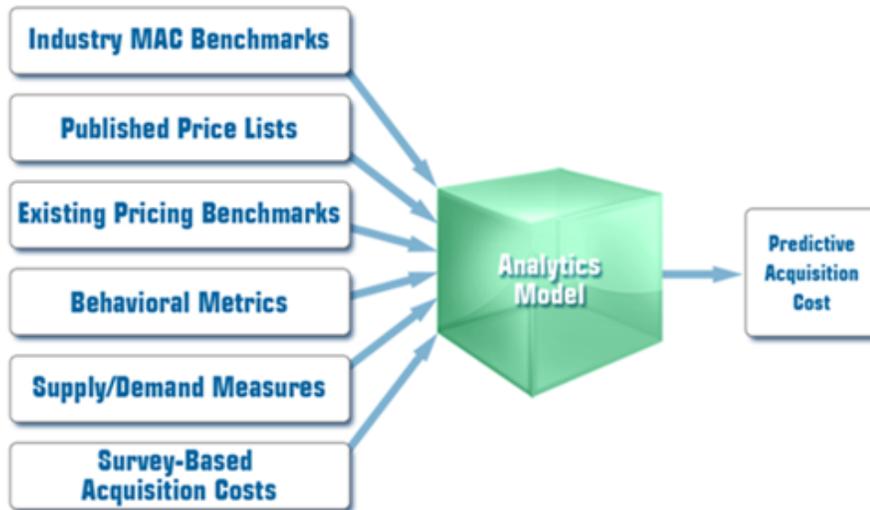
Organizations who rely on PAC for pricing decisions include:

- Payers
- PBMs
- Pharmacy Operators
- Drug Wholesalers

- **Timeliness** - updated with a frequency appropriate for quickly changing actual acquisition costs, especially for generic drugs
- **Avoidance of manipulation** - safe from manipulation

- Pharmaceutical Manufacturers

Using these needs as the industry requirements, the PAC is the result of a multi-tiered predictive analytics model designed to estimate the drug acquisition cost for a typical pharmacy on a daily basis.



Payers/PBMs use PAC to address pricing transparency

- More than **45 states** have active or pending **MAC transparency legislation**
- At least **19 states** require Payers/PBMs to **report pricing sources and/or methodology**
- **75% of states** require Payers/PBMs to **respond to MAC appeals in 14 days or less**
- **85% of states** require Payers/PBMs to **account for "Purchase Availability"**

How is PAC used in the pharmacy industry today?

PAC is more closely aligned with true acquisition cost than any other drug pricing benchmark in the industry. It serves as both a drug pricing analytics tool and a contractual reference in many agreements between payers, Pharmacy Benefit Managers (PBMs), pharmacy operators, drug wholesalers and manufacturers. PAC is utilized by these industry stakeholders to solve some of their toughest pricing challenges. Some common use cases have emerged since PAC's launch:

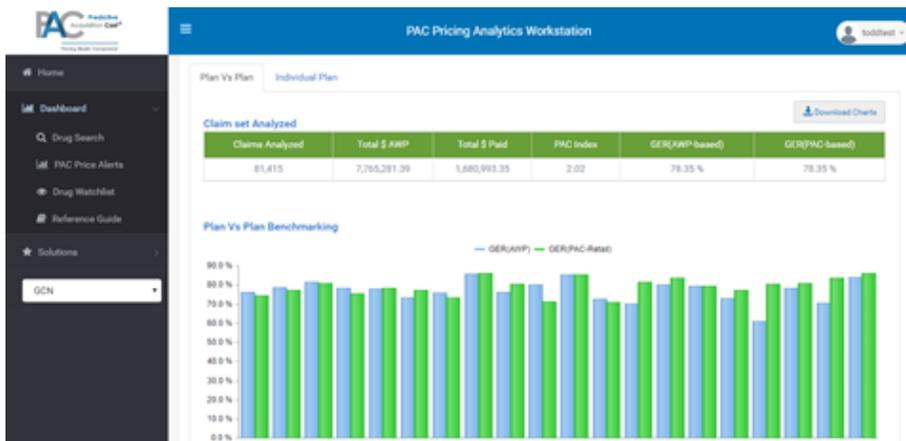
- Loss File Analysis (*pharmacy operators*)
- PBM Grading (*pharmacy operators*)
- Pricing Guarantees (*manufacturers, wholesalers, pharmacy operators, PBMs*)
- Pricing Quality and Generic Effective Rate (GER) Predictability (*pharmacy operators, PBMs, payers*)
- Maximum Allowable Cost (MAC) Optimization and Transparency (*PBMs, payers*)

These use cases have evolved as various organizations have worked together with PAC to optimize their business relationships. To support these efforts, we have recently launched the Pricing Analytics Workstation as part of our online solutions offerings. The Pricing Analytics Workstation makes it easier for organizations to implement these use cases without a lot of investment in technology resources.

What are some of the organizational challenges associated with implementing a business solution like PAC? Can you tell us more about the Pricing Analytics Workstation?

As organizations implement PAC, some were challenged in terms of available resources to implement the use cases mentioned or take action on the results. The Pricing Analytics Workstation provides an easy to use online interface where data files are uploaded, analysis is run at a click of a button and results downloaded within minutes.

For example, a pharmacy operator can quickly grade out PBM performance by uploading a file with adjudicated claims, setting some basic parameters and running the analysis. The results include focus on specific drugs that present reimbursement or procurement issues, AWP-based GERs, PAC-based GERs and a mark-up index plan by plan.



About PharmacyFocus

PharmacyFocus and Pathria Analytics are partners in Glass Box Analytics LLC. Glass Box Analytics creates the Predictive Acquisition Cost (PAC) drug price benchmark.

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