

School: ATEC – Medical Management
Course: The Prescription Drug Supply Chain
Faculty: Ron Carter, CEO, RxBridge

Summary

In the course titled "The Prescription Drug Supply Chain," taught by Ron Carter of RxBridge, the intricacies of the prescription drug supply chain are thoroughly explored. Carter, with over 20 years in healthcare and significant experience in workers' compensation, provides an in-depth overview of how the supply chain operates, the roles of different entities, and the regulations that govern it.

Carter begins by explaining the roles of drug manufacturers and wholesalers. Drug manufacturers, such as Eli Lilly, are responsible for researching and producing pharmaceutical drugs. These manufacturers then sell their products to drug wholesalers like Cardinal Health and McKesson, who handle the logistics of distributing these drugs to pharmacies. The wholesalers purchase large quantities of drugs from manufacturers and distribute them to pharmacies based on demand.

The lecture delves into the various payer systems in the U.S. healthcare landscape. Carter emphasizes that different payer systems, such as workers' compensation, group health, VA, Medicare, and Medicaid, each have unique processes, workflows, and pricing structures. This differentiation affects how drugs are distributed and priced. For instance, a broken arm injury covered under workers' compensation will follow different rules compared to one covered by group health insurance.

Carter introduces the concept of formularies, which are lists of rules governing drug administration to patients. These rules vary significantly between payer systems. For example, the rules for Medicare and Medicaid are distinct from those for workers' compensation. The Pharmacy Benefit Manager (PBM) plays a crucial role in managing these rules and ensuring that pharmacies dispense drugs according to the payer-specific regulations.

The course also covers the different types of pharmacies, including retail, mail-order, and specialty pharmacies. Retail pharmacies, such as CVS and Walgreens, are the most familiar to consumers. Mail-order pharmacies are suitable for patients on long-term medication, although their use in workers' compensation is limited. Specialty pharmacies handle high-cost drugs used for specific disease states, which are more common in group health than in workers' compensation.

Carter explains the significance of Drug Utilization Review (DUR) and Average Wholesale Price (AWP) in managing drug costs and usage. DUR involves clinical rules and edits to ensure appropriate drug use, such as limiting the duration of opioid prescriptions. AWP is the price set by manufacturers, which serves as a basis for drug pricing throughout the supply chain. States may also have fee schedules that cap the amount that can be paid for a drug, helping to control costs.

The lecture addresses the complexities of pricing and savings in the prescription drug supply chain. Carter discusses how fee schedules and AWP influence the final price paid for drugs and the importance of transparent pricing. He highlights the challenges and ethical considerations in reporting savings, emphasizing that true savings should be calculated against state-mandated fee schedules rather than inflated list prices.

In summary, the course provides a comprehensive overview of the prescription drug supply chain, detailing the roles of manufacturers, wholesalers, pharmacies, and PBMs. It explains the impact of different payer systems on drug distribution and pricing, the importance of formularies and DUR, and the financial mechanisms that influence drug costs. Carter's insights aim to enhance understanding of this complex system and its impact on healthcare delivery, particularly within the workers' compensation context.

Learning Objectives

1. Understand the roles and functions of different entities in the prescription drug supply chain, including manufacturers, wholesalers, pharmacies, and PBMs.
2. Learn about the various payer systems in the U.S. healthcare landscape and how they influence drug distribution and pricing.
3. Recognize the importance and application of formularies, DUR edits, and fee schedules in managing prescription drugs within the workers' compensation system.
4. Identify the differences between retail, mail-order, and specialty pharmacies and their relevance to different types of medications.
5. Explore the financial aspects of drug pricing, including AWP, UCR, and savings calculations, and their impact on stakeholders in the supply chain.

Primary Takeaways

1. The prescription drug supply chain involves multiple entities, each playing a critical role in getting medications from manufacturers to patients.
2. Different payer systems (e.g., workers' comp, group health, VA, Medicare) have unique rules and processes affecting drug pricing and distribution.
3. Formularies and DUR edits are essential tools for ensuring appropriate drug use and cost management in the healthcare system.

4. Retail, mail-order, and specialty pharmacies serve different purposes, with specific advantages and limitations depending on the medication and patient needs.
5. Drug pricing mechanisms like AWP, UCR, and state-specific fee schedules significantly influence the cost of medications and savings calculations.

Course Outline

- 1) Introduction to the Prescription Drug Supply Chain
 - a) Overview of the Supply Chain
 - i) Roles of Manufacturers, Wholesalers, Pharmacies, and PBMs
 - ii) Importance of Each Entity in the Supply Chain
 - b) Payer Systems and Their Impact
 - i) Types of Payer Systems (Workers' Comp, Group Health, VA, Medicare, etc.)
 - ii) Differences in Rules, Workflows, and Pricing
- 2) Detailed Components of the Supply Chain
 - a) Drug Distribution Process
 - i) From Manufacturers to Wholesalers
 - ii) From Wholesalers to Pharmacies
 - b) Pharmacy Types and Their Roles
 - i) Retail Pharmacies
 - ii) Mail-Order Pharmacies
 - iii) Specialty Pharmacies
- 3) Regulatory and Management Tools
 - a) Formularies
 - i) Definition and Purpose
 - ii) Custom and State-Specific Formularies
 - b) Drug Utilization Review (DUR)
 - i) Definition and Examples
 - ii) Clinical Edits and Weaning Guidelines
- 4) Financial Aspects of the Supply Chain
 - a) Drug Pricing Mechanisms
 - i) Average Wholesale Price (AWP)
 - ii) Usual and Customary (UCR)
 - b) Fee Schedules and Savings
 - i) State-Specific Fee Schedules
 - ii) Savings Calculations Based on Fee Schedules

- 5) Practical Implications for Stakeholders
 - a) Impact on Patients
 - i) Understanding Drug Pricing at the Pharmacy
 - ii) Role of Technology in Managing Transactions
 - b) Ethical Considerations
 - i) Ensuring Integrity in the Supply Chain
 - ii) Importance of Transparency in Pricing

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