

# PBM Best Practices Series: What to expect from your PBM account team

Gregory O. Callahan, MBA



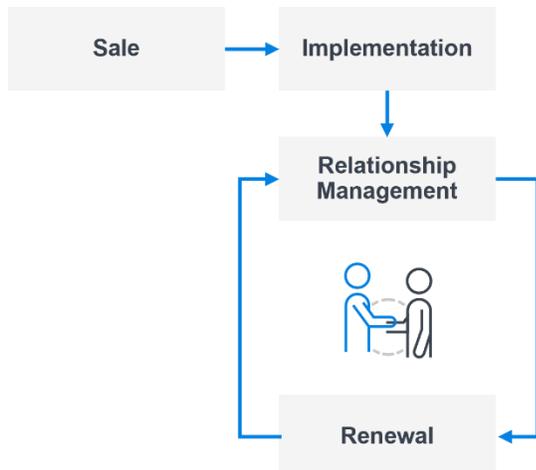
As business partners, pharmacy benefit managers (PBMs) play a significant role to help plan sponsors manage their pharmacy benefit, and the PBM account team plays a critical role in this process. We have amassed years of experience and have seen some fundamental account management practices that lead to successful relationships between plan sponsors and their PBMs.

We are aware there are many different ethos and philosophies in running a successful account management program. This paper does not presume there is only one way to properly achieve this success, but rather it discusses how PBM account teams can create relationship longevity—including insight into the plan sponsor/PBM trust dynamic and PBM account team best practices that deliver high financial value and operational excellence, which will equate to a strong relationship over time. Plan sponsors can determine the level of involvement they would like from their PBMs in accomplishing their own internal or strategic goals. PBMs might also take notice in reviewing their current account management models to assess whether current models can achieve this level of relationship, both scalable and applicable across all lines of business.

## The PBM relationship cycle

The PBM relationship cycle includes four stages: the sale, the implementation, relationship management, and the renewal.

FIGURE 1: FOUR STAGES OF PBM RELATIONSHIP CYCLE



**The sale.** The PBM wins new business as a result of a request for proposal (RFP), a broker relationship, a new entrepreneurial market entrant, or other means. The sale is most often led by a PBM sales team.

**The implementation.** The plan sponsor's transition from the incumbent PBM to a new PBM, or a new entrant's first year, is called the implementation. This transition takes a minimum of 90 days to complete but can take longer depending on the line of business and the complexity of the plan. The transition is led by the implementation team, often with the account team involved as they will be responsible for the ongoing management of the relationship. A smooth implementation is critical step to getting the PBM/plan sponsor relationship off on the right foot.

**Relationship management.** After the implementation, the plan sponsor is fully transitioned from the implementation team to the account management team for ongoing services. PBMs have differing language or words for this stage (e.g., relationship validation phase, the decision confirmation stage, maintenance of business, etc.), but they all similarly mean the relationship and culture between plan sponsor and the PBM. In the following sections of this article, we will discuss in depth best-in-class relationship management practices.

**The renewal.** Renewals can take many shapes including an auto-renewal, evergreen status, market check, or RFP. The industry standard for a PBM contract term is three years. Typically, during the second year of the agreement, plan sponsors decide whether they will renew with the PBM or issue an RFP. In either case, the account team works with supporting departments to provide a renewal offer or RFP response.

The remainder of this paper focuses on the roles and responsibilities of the PBM account team and how relationship longevity can be maintained with a plan sponsor during the relationship management stage of the PBM relationship.

## Relationship management: The role *trust* plays between the PBM and plan sponsor

Let's discuss why plan sponsors stay with their PBMs.

In a word, *trust*.

Trust is the most fundamental component of the relationship between a plan sponsor and the PBM. A plan sponsor that trusts its PBM is more apt to stay with the PBM versus situations where trust is low or nonexistent. We have broken trust into two main components: perceived cost and perceived effectiveness.

**Perceived cost.** To build trust with the plan sponsor the PBM contract (including all pricing, guarantees, rebates, exclusions, programs, and services) must be transparent and financially competitive in the marketplace. Being transparent includes clear definitions, audit and market check rights, effective reporting, and sharing data with the partners of the plan sponsor.

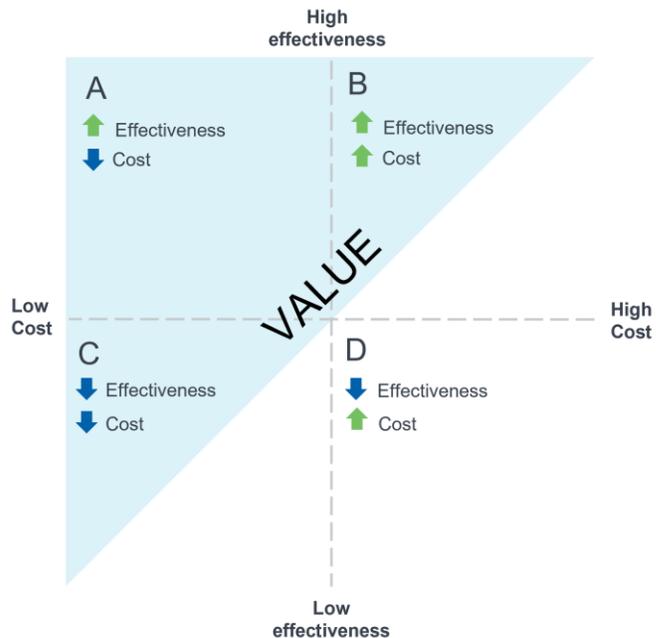
**Perceived effectiveness.** To build trust with the plan sponsor, the PBM must consistently deliver a high level of service. The account team needs to be:

1. Master communicators
2. Proactive and responsive
3. Cognizant of the plan sponsor's fears, risks, and market dynamics
4. Able to consult and make effective recommendations
5. Working toward no ongoing operational issues or, when issues pop up, eradicating them with little or no long-term effects on the relationship
6. An advocate to help achieve plan sponsor's goal
7. Able to maintain a good relationship with the plan sponsor's professional advisors

Plan sponsors stay and renew with their PBMs because trust has been established and validated year over year. When both sides acknowledge this dynamic as important, and as a two-way street, plan sponsors can be empowered to allow their PBMs to be valued business partners.

As Figure 2 illustrates, when the plan sponsor perceives that the PBM is in the high-effectiveness/low-cost quadrant A, there is a corresponding high level of value associated in the relationship, which creates relationship longevity. A plan sponsor that trusts its PBM is more likely to stay with its PBM.

FIGURE 2: TRUST PARADIGM



The paragraphs below describe the quadrants in the trust paradigm.

**High-effectiveness/low-cost (quadrant A).** Plan sponsors in this quadrant score the highest in value. These plan sponsors likely have a consistent account team that is effective at planning, partnering, communicating, and executing all aspects of the PBM relationship, including executing on high-value milestones that support the plan sponsor's pharmacy benefit or organization. In addition, these plan sponsors are receiving competitive rates at or above market. Trust remains high in this scenario.

**High-effectiveness/high-cost (quadrant B).** Plan sponsors in this quadrant may be reluctant to issue an RFP, as the PBM relationship is functioning well. However, the plan sponsor is left wondering if its contract is competitive in the marketplace. Plan sponsors in this scenario are more likely to leave their PBMs, as they may speculate that the PBM is giving new business a better deal. Trust can be fragile in this scenario.

**Low-effectiveness/low-cost (quadrant C).** Plan sponsors in this quadrant are typically unhappy with their PBMs but tolerate the relationship because they perceive they are getting a good deal. These plan sponsors may issue an RFP but may also stay with their PBMs, as they may be willing to compromise on service for the right price. Trust might be waning in this scenario.

**Low-effectiveness/high-cost (quadrant D).** Plan sponsors in this quadrant over time might be incentivized to leave their PBMs with or without an RFP. Trust is lost and it is difficult to regain in this scenario.

It is important to note that perception is not always reality. A relationship may not be what either side perceives it to be. A plan sponsor may perceive its PBM relationship is lacking and therefore issues an RFP and switches PBMs. However, in retrospect after moving to the new PBM, the plan sponsor realizes its prior PBM had very strong attributes and thus experiences some level of dissonance post-change. Likewise, the same is true for PBMs that perceive a relationship in quadrant A when we typically see plan sponsors perceive their relationships in quadrants B or C and even sometimes D. PBMs are wise to understand this dynamic and understand a plan sponsor’s perception is what ultimately matters. PBMs should always be focused on how they can help and keep plan sponsors’ perceptions high in effectiveness and low in costs, where trust remains high.

## The PBM account team culture is mission-critical to maintaining trust

The PBM account team is vital to the success of a PBM, as its members are the owners of the relationship. The PBM account team’s success in building and maintaining trust between plan sponsor and PBM solidifies the plan sponsor/PBM *perceived* relationship as residing within one of the four quadrants.

Typically, the PBM account team is comprised of four to seven staff members that are responsible for directly servicing the plan sponsor.

PBM account team relationships are cultivated between the team roles shown in Figure 3, which outlines the typical PBM account team, its structure, and each member’s roles and responsibilities.

Some account teams are better than others. Most PBMs go through cycles of high or low client retention rates and employee turnover that can impact service levels. Poor performance might also reflect an account team that needs further training. It is important for plan sponsors to know what a good account team looks like, so the plan sponsor can set expectations in its contract with the PBM.

### ACCOUNT TEAM: FOUR FUNDAMENTALS TO A SUCCESSFUL RELATIONSHIP BUILT ON TRUST

Milliman and other reputable PBM consulting firms occupy an interesting place of purview, having staff with years of PBM experience or who have been on the sidelines watching PBMs manage their account teams using different ways to manage large complex accounts on behalf of mutual plan sponsors. Below we have compiled some characteristics and fundamentals in managing large and complex accounts. A well-oiled account team has the possibility to be a trusted asset to plan sponsors in achieving initiatives and goals.

FIGURE 3: PBM ACCOUNT TEAM ROLES AND RESPONSIBILITIES

<b>Strategic/Senior or Account Executive</b>	Manages the strategic aspects of the plan sponsor/PBM relationship. As the “owner” of the relationship, the account executive takes primary responsibility for creating trust and fostering a positive relationship in supporting the plan sponsor in achieving its strategic direction and goals.
<b>Account Manager</b>	Is the key operational liaison between the plan sponsor and the PBM, also fostering and managing the client relationship. Manages the plan sponsor’s benefit plan setup and provides daily support.
<b>Clinical Account Executive</b>	Manages the clinical aspects of the relationship, assess utilization to form recommendations, such as implementation of clinical programs that supports client’s clinical goals.
<b>Support roles</b>	Depending on plan sponsor’s business, account teams might include specialist support positions. For example, to support a Medicare plan, the account team might include a compliance specialist. An analytics specialist might be assigned to the team to support claims management and processing. Member services representatives might take calls from plan participants to help resolve issues.
<b>Executive Sponsor</b>	Provides executive-level representation that allows plan sponsors to bypass the account team on appropriate and highly critical matters.

We have narrowed the best practices to encompass four fundamentals that lead to a relationship that has the plan sponsor trusting its PBM:

1. A purposeful and measurable strategic plan must be created, managed, and then executed by the account team throughout the calendar year and the entire relationship.
2. Executive leadership from both plan sponsor and PBM need to be aware of and approve that plan.
3. There are no operational issues or, when issues come up, they are taken care of quickly and effectively not to come up again.
4. Plan sponsor financial costs must be at or better than market value.

Both plan sponsor and PBM track, acknowledge, and appreciate plan sponsor wins while acknowledging bumps in the road.

**EXAMPLE: A BEST PRACTICE PBM ACCOUNT TEAM: A YEAR IN REVIEW**

Figure 4 is an illustration of what a high-performing account team year in review might look like using the qualities found in the four fundamentals listed above.

The November-December meeting is extremely effective, as it allows the PBM to exhibit the account team’s activities that have supported the plan sponsor’s goals throughout the year. This creates an opportunity for the plan sponsor to acknowledge the PBM account team’s efforts and record its accomplishments. It also launches the following year’s activities with positive momentum, with a discussion of which goals will continue and how the PBM account team can support them based on their experiences throughout the prior year.

**FIGURE 4: BEST-IN-CLASS PBM ACCOUNT TEAM ACTIVITIES**

<b>January</b>	<p>Account team works with the plan sponsor and its advisor to create a strategic plan, which outlines the plan sponsor’s goals and objectives for the next one to five years. The strategic plan defines simple, measurable, and achievable goals in three key areas:</p> <ul style="list-style-type: none"> <li>▪ Financial</li> <li>▪ Clinical</li> <li>▪ Operational/managerial</li> </ul> <p>The account team must set reasonable expectations with the plan sponsor. The PBM executive sponsor reviews, approves, and works with the account team to monitor the strategic plan.</p>
<b>February</b>	<p>Plan sponsor executives also review and approve the strategic plan.</p> <p>For the rest of the year, the PBM account team focuses on executing the strategic plan to achieve plan sponsor goals.</p>
<b>March- April</b>	<p>The PBM account team conducts an annual review with the plan sponsor, either in person or virtually. This review covers:</p> <ul style="list-style-type: none"> <li>▪ <b>Retrospective:</b> Review of the prior year’s financial performance, PGs, reconciliation reports, and key performance indicators (KPIs).</li> <li>▪ <b>Prospective:</b> Strategic plan discussion including account team activities to date and updates to the short- and long-term goals.</li> </ul>
<b>May- October</b>	<p>The PBM account team executes on the strategic plan with defined goals and action items.</p>
<b>November - December</b>	<p>The PBM account team meets with plan sponsor for a year-end check-in that reviews:</p> <ul style="list-style-type: none"> <li>▪ Goals that were met, successful, or accomplished.</li> <li>▪ Plan sponsor acknowledges them.</li> <li>▪ Shortfalls and remediation.</li> <li>▪ PBM acknowledges them.</li> <li>▪ Which goals should continue into the next year?</li> <li>▪ Whether the year was an overall success, or not.</li> <li>▪ Begin updating the strategic plan in preparation for January/February strategic plan approvals.</li> </ul>

## Conclusion

Every plan sponsor goal is to have a highly effective, low-cost pharmacy program. Every PBM goal is to continuously renew its accounts and foster long-term relationships. The PBM account team is a critical key to this symbiotic relationship as the facilitators and owners of this very important relationship asset.



Milliman is an independent consulting, benefits and technology firm. Our expert guidance and advanced analytical solutions empower leading insurers, healthcare companies and employers to protect the health and financial well-being of people everywhere. Every day, in countries across the globe, we collaborate with clients to improve healthcare systems, manage risk, and advance financial security, so millions of people can live for today and plan for tomorrow with greater confidence.

[milliman.com](https://milliman.com)

### CONTACT

Greg Callahan  
[greg.callahan@milliman.com](mailto:greg.callahan@milliman.com)

© 2022 Milliman, Inc. All Rights Reserved. The materials in this document represent the opinion of the authors and are not representative of the views of Milliman, Inc. Milliman does not certify the information, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Materials may not be reproduced without the express consent of Milliman.