



Revised Performance Based Remuneration (PBR) for pharmacies

Applicable 1 October 2017



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Glossary and definitions

Chronic Illness Benefit claim (CIB) means claims *paid* from the *chronic benefit payment pool* where the treatment (medication) has been pre-authorized according to the Prescribed Minimum Benefit (PMB) treatment algorithms for conditions on the Chronic Disease List (CDL) It excludes claims paid from other benefit payment pools such as oncology and HIV although these conditions form part of chronic (ongoing) illnesses.

CIB Formulary Items means the list of preferred medicine items compiled by Discovery in accordance with the Council for Medical Schemes Prescribed Minimum Benefit (PMB) treatment algorithms for the Chronic Disease List (CDL). Scheme plans make use of different formularies:

- Comprehensive formulary serves Executive and Comprehensive plans,
- Core formulary serves Core, Priority and Saver plans,
- KeyCare chronic formulary is NAPPI specific which means the claim for generic alternatives will reject for KeyCare plans

PBR formulary item means formulary items as they appear on the Chronic Illness Benefit (CIB) formulary, taking into consideration the PBR claim exclusion rules.

PBR compliance means the pharmacy's performance measured as the percentage PBR formulary and benchmark items dispensed out of all medicine claims paid from chronic benefits during a calendar month, taking into consideration the PBR exclusion rules.

PBR substitutable formulary compliance means the pharmacy's performance measured as a percentage of PBR formulary and benchmark items, dispensed out of substitutable formulary medicine claims paid from chronic benefits over six months, taking into consideration the PBR exclusion rules.

PBR Benchmark items means all generic equivalent items of the listed formulary items where the generic equivalent item's SEP unit price is lower or equal to the PBR benchmark unit price as published in latest PBR formulary and benchmark document, available on the Discovery website at <https://www.discovery.co.za/portal/individual/propbm-communicues>

PBR Benchmark Unit Price means a maximum unit price (E.g. the VAT inclusive rand value per tablet or capsule) for a specific drug class, strength and formulation, which is assigned by Discovery Health for a specific time period for a specific plan type as communicated on the Discovery website at: <https://www.discovery.co.za/portal/individual/propbm-communicues>.

Generic equivalent means a medicine product which contains the exact same active ingredient, at the same strength and formulation as the original brand product.

PBR threshold means the required PBR formulary compliance rate assigned by Discovery Health that a pharmacy requires to qualify for the PBR variable dispensing fee from the following calendar month for as long as the pharmacy continues to meet the required PBR threshold. It is also the point where the pharmacy will automatically qualify for inclusion in the MedXpress DSP network for Core and Delta members when the pharmacy's average PBR compliance over a 6 month equals or exceeds the PBR threshold.

Overall substitutable formulary compliance percentage means the pharmacy's performance measured as a percentage of formulary items, dispensed out of all substitutable claims paid from chronic & HIV benefits over six months, taking into consideration all plans.

Generic substitution rate means the pharmacy's formulary compliance measured as a percentage of generic items dispensed out of all generic substitutable medicine claims paid from all benefit payment pools taking into consideration all plans.

Overview – The medical scheme’s challenge

Rising healthcare costs place severe pressure on healthcare systems and governments globally. In South Africa, medical schemes rely on the surpluses generated by healthy scheme members to fund the cost of treatment for unhealthy scheme members. These cross-subsidies have to be managed and balanced carefully to ensure all medical scheme members enjoy cover when they need it most, while ensuring that medical scheme contributions remain affordable.

The current medical scheme regulatory environment is based on open enrolment and community rating, which means that medical schemes must accept all applicants regardless of age and health status. South Africa is unique in that medical scheme membership is voluntary, resulting in adverse selection where people join a medical scheme when they believe they will need it, or they join lower-cost options and ‘buy up’ to more comprehensive options when they get sick.

Medicine inflation together with demographic trends, such as an ageing insured population and a rapidly increasing chronic, cancer and lifestyle disease burden, drive increased demand for healthcare services. For Discovery Health, managing these cost drivers is vitally important to maintain the fragile balance between quality, access and affordability of healthcare and requires rigorous efforts and collaboration between all stakeholders.

As such, we continually develop assets and interventions to manage medicine cost and to keep it affordable for the medical scheme and its members, while considering the sustainability of the healthcare service industry. Performance Based Remuneration and MedXpress are two such initiatives.

What is Discovery MedXpress?



Discovery Health (Pty) Ltd was launched by Discovery MedXpress in 2011. Through this service, Discovery Health contracts with Discovery MedXpress partner pharmacies to facilitate the ordering and tracking of medicine for prescriptions received from members of selected medical schemes administered by Discovery Health.

Discovery MedXpress offers a free service with no additional administration, delivery or other hidden fees. It is a voluntarily service and it services a small niche portion of the medical scheme members as well as Core and Delta Plan members registered on the Chronic Illness Benefit of Discovery Health Medical Scheme.

MedXpress partner pharmacies ensure good pharmaceutical practice, and meet all professional and legal requirements. A high level of system integration and automation ensure a cost-effective and swift service.

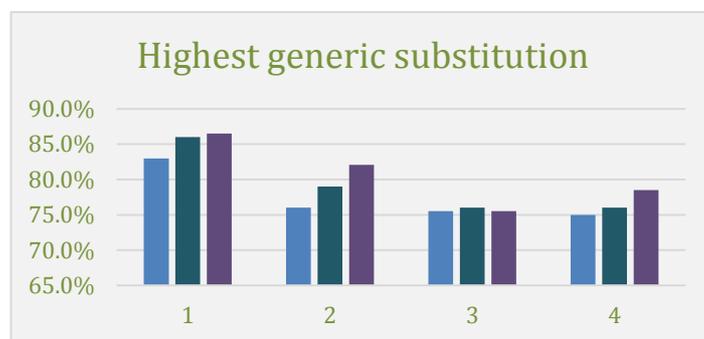
- Contracted courier partners dispense and deliver the medicine countrywide.
- Through Discovery MedXpress Collect, patients can now pre-order medicines and collect their medicines at the chosen MedXpress partner pharmacy within three hours from when the prescription was submitted without waiting in queues.

Discovery MedXpress boasts a variety of electronic access which makes it easier and more convenient for members to use. While placing the order with Discovery MedXpress, additional attention is given by Discovery MedXpress consultants to increase generic substitution and the use of formulary items and therefore Discovery MedXpress performed well during 2016 with regards to the following criteria:

- The average **co-payments** through Discovery MedXpress are smaller than that of community pharmacies.



- Discovery MedXpress facilitates the highest generic substitution rate.



- Discovery MedXpress achieved the highest rate of facilitating the best priced generic



- Discovery MedXpress facilitated a **PBR compliance rate** of over 54% and a **PBR substitutable formulary compliance** rate of 80% for 2016.
- In addition, the average **dispensing fee** for each item ordered through Discovery MedXpress is marginally lower than the fee charged by contracted pharmacies. Kindly note that the Discovery MedXpress rate falls within the legislated government four-tier structure and the Schemes cover this in full.

The above ensures savings to the scheme and therefore Discovery Health Medical Scheme appointed Discovery MedXpress as the designated service provider for chronic medicines for Discovery Health Medical Scheme members belonging to Core and Delta plans. In terms of this arrangement, if Discovery Health Medical Scheme members with approved chronic medicine on the Delta and Core plans obtain

their medicine from a **non**-designated service provider, a 20% co-payment will apply. The levying of such a co-payment in these circumstances is set out in Regulation 8(2) issued in terms of the Medical Schemes Act.

We believe the service offered by Discovery MedXpress is in the best interest to members of selected schemes administered by Discovery Health and the Medical Scheme concerned from a financial, operational and patient convenience point of view.

However, to allow community pharmacies equal opportunities, we allow contracted Discovery Health DSP network pharmacies with a signed non-exclusive designated service provider agreement onto the Discovery MedXpress DSP network once the pharmacy has reached the qualifying formulary compliance.

Performance Based Remuneration and MedXpress DSP network

PBR is a voluntarily programme designed to provide additional remuneration to pharmacists for adhering to the Scheme's chronic formulary. In general the PBR model aims to create additional funding through added prescription price efficiency for dispensed items when on the chronic formulary and reduced remuneration for dispensed items when not on the chronic formulary. The inclusion of a broader set of products per medicine class to the model, allows for a more affordable cross-funding mechanism. The pharmacy is protected by a threshold which acts as a safety net and assures that the pharmacy can never be in a worse off position.

What is the objective of Performance Based Remuneration (PBR)?

This model, currently offered only by Discovery Health Medical Scheme, will ensure an increase in revenue for pharmacists, lower out-of-pocket expenses for medical scheme members, and sustainability of Scheme funds.

The PBR model allows for a variable dispensing fee to be applied once the PBR threshold has been reached. This comprises:

- A higher dispensing fee to be applied to claim lines that qualify according to the formulary and benchmark pricing
- It also allows for a lower dispensing fee to be applied where claim lines do not adhere to the formulary.

The PBR compliance is measured and communicated to pharmacies on a monthly basis.

Which schemes participate in PBR?

Discovery Health Medical Scheme is currently the only participating scheme. It is expected that other schemes administered by Discovery Health may follow.

Which claims are excluded from PBR?

Claims listed below do not qualify for PBR and continue to be paid at the appropriate chosen standard network rates. These comprise:

- KeyCare and Delta plans
- Non-SEP items: Unregistered medicine, schedule 0 medicines and surgical items.

- Claims paid from benefits other than pre-approved medicine paid from Chronic Illness Benefit such as HIV, oncology and acute benefits
- Claims submitted by pharmacies without a signed non-exclusive designated service provider (DSP) contract and courier pharmacies

All pre-approved chronic paid claims qualify for PBR, when dispensing formulary items, including clinical appeal authorisations.

What are the standard network dispensing fee models and standard DSP network fees?

Independent pharmacies have a choice to participate in any one of the following two Discovery Health DSP networks attracting the specified standard dispensing fees for all medicines (whether paid from chronic or acute benefit payment pools).

Community network	36% capped R59.40 (VAT incl.)
OR	
Corporate network rate	30.78% capped R30.78 (VAT incl.)

To be eligible for the PBR Network, pharmacies need to participate as a non-exclusive designated service provider (DSP) in one of the above Discovery Health pharmacy networks. PBR does not apply to courier pharmacies while hospital pharmacies need co contract on corporate rates to be eligible for PBR.

How does the new PBR concept work?

- PBR participation is based on a willing provider network with a termination period of one calendar month.
- If not already participating, your pharmacy needs to submit to Discovery Health **two signed contracts** for both the following:
 - Non-exclusive designated service provider (DSP) in the Discovery Health pharmacy networks
 - Performance Based Remuneration (PBR) pharmacy network for Independent community pharmacies
- To obtain contracts, kindly:
 - follow the link to the website: <https://www.discovery.co.za/portal/individual/propbm-communicues>
 - or request a contract by sending an email to: provider_administration@discovery.co.za
 - call and request a contract from Discovery Health Call centre by dialling: 0860 44 55 66
- You will receive an e-mailed letter from provider_administration@discovery.co.za to confirm participation in the PBR network.
- It will be your responsibility to provide a copy of the signed contract to your pharmacy's appointed software vendor so that the highlighted PBR benchmark items can be displayed on the screen in the pharmacy.
- Start by choosing to dispense the highlighted PBR items on the pharmacy screen.
- Ensure that your pharmacy's PBR compliance rate reaches the PBR threshold as soon as possible.
- A monthly *compliance report* will be emailed to your most updated registered dispensary address as supplied in the PBR agreement.
- If you need more support to reach the compliance threshold, you can request a *Top ranking item report* from Provider_administration@discovery.co.za. This identifies the top ranking formulary

items that improve your pharmacy's compliance as well as the top ranking substitutable non-formulary items that bring down your pharmacy's compliance.

Example of the monthly formulary compliance report



19 June 2017

Dear Pharmacist

Discovery Health formulary compliance report

We take pleasure in providing you with the monthly formulary compliance figures for chronic medicine claims from Discovery Health Medical Scheme members.

Pharmacy:	John Soap Pharmacy
Practice number:	234567
Report period:	May 1027
Discovery Health network status:	Contracted
Contracted network:	Community network
Network rate for SEP:	36% capped R59.50 VAT inclusive

Current Performance Based Remuneration status:

- John Soap Pharmacy has been contracted and participates in Performance Based Remuneration (PBR) and has reached the threshold during May 2017.
- The pharmacy been registered on the MedXpress DSP network for Core and Delta Plans. The next review for DSP inclusion will take place after the end of the current cycle that runs from 1 April to 30 June 2017.

We will relaunch Performance Based Remuneration on 1 October 2017. Please ensure that you sign a PBR contract to continue participation in the MedXpress network after 1 October 2017

Detailed Performance for May 2017

Performance Based Remuneration	Pharmacy compliance performance	Number of chronic claims	Required threshold
PBR compliance	55%	413	51%
Average PBR compliance for last six months:	52%	370	
PBR contract for participation:		Contracted and participates	
PBR payment cycle runs quarterly:		1 Jan – 31 Mar; 1 Apr – 30 Jun; 1 Jul – 30 Sep; 1 Oct – 31 Dec.	
MedXpress network participation	Pharmacy compliance performance	Number of substitutable chronic claims	Required threshold
PBR substitutable compliance:	78%	300	79%
Average PBR substitutable compliance for last six months:	77%	310	
Portion of PBR claims that can be substituted:		72.6%	

- Once your pharmacy opts in for PBR, the variable PBR dispensing fee will automatically apply from the next month when your pharmacy reaches the PBR compliance threshold. Fees are calculated and paid retrospectively.
- The PBR threshold acts as a safety net to ensure that your pharmacy will never be financially worse off with the lower PBR variable dispensing fee. Thus, with Performance based Remuneration contract, you can earn only more than what you are currently earning on the standard network fee.
- The additional PBR variable dispensing fee will be retrospectively applied to the chronic claim lines and reported in a quarterly, *PBR line level payment report* that covers the 3 month report period starting one month after the pharmacy has qualified by reaching or exceeding the PBR threshold. The difference in the standard and newly applied PBR variable fee is calculated and will be paid to you on a three monthly basis.
- Settlement of the additional dispensing fee due, will follow approximately fourteen days after you have received the PBR payment letter.

Please note that no amendments to Scheme submission codes or the standard Discovery Health network rates as per 2017 non-exclusive designated service provider (DSP) contract are required. The current rates and codes remain unchanged, as the adjustments will be applied retrospectively per report.

- If you want to verify the additional PBR dispensing fee paid on chronic claim lines, please email us at provider_administration@discovery.co.za and provide your pharmacy name and practice number to request the *PBR line level payment report*. The report contains all the CIB claim lines where the variable PBR dispensing fee have been re-applied as well as the settlement amount.

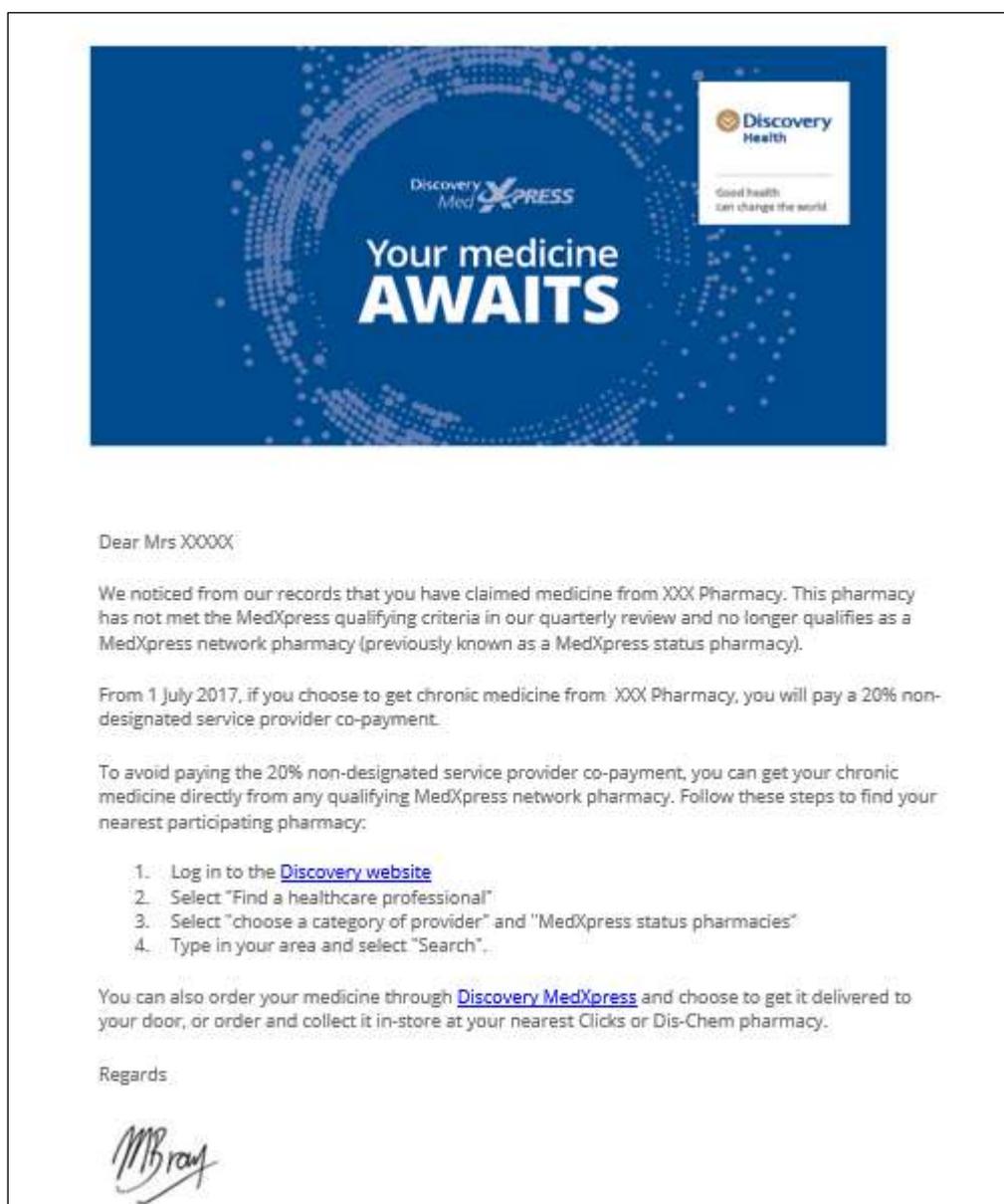
Example of the PBR line level payment report

6043788 XXXX Pharm R 18 365													OLD	NEW	ADD			
Date	ACCOUNT	CLAIM	RI	Plan	INAPPL	PRODUCT_NA	SERVICE_DATE	DRG	RATE	PAID	CLAIMED	QTY	DISP_FEE	DISP_FEE	DISP_FEE	RATE	SEP_UNIT	PROC_CD
201410	646070	3qXaM1	Core	78943001		Almadin 5mg	01/10/2014 00:00		88.4	88.4	88.4	30	23.4	29.9	6.5	46%_capped_R98	2.16667	CHRON
201410	646070	3qXaM1	Core	82020000		Sandoz indapa	01/10/2014 00:00		25.74	20	25.73	30	6.81	6.8148	0	36%_capped_R45	0.631	CHRON
201410	646071	3qXb5f	Core	78201001		Amlloc 5mg TA	01/10/2014 00:00		104.95	105	104.95	30	27.78	27.7812	0	36%_capped_R45	2.57233	CHRON
201410	646071	3qXb5f	Core	81020000		Sandoz indapa	01/10/2014 00:00		25.74	20	25.73	30	6.81	6.8148	0	36%_capped_R45	0.631	CHRON
201410	646116	3qadu6	Core	78797401		Cipla-pioglitaz	01/10/2014 00:00		114.05	114.1	114.05	30	30.19	38.5756	8.3856	46%_capped_R98	2.79533	CHRON
201410	646116	3qadu6	Core	78077001		Adco atorvast	01/10/2014 00:00		39.59	39.59	46.19	30	10.48	13.3906	2.9106	46%_capped_R98	0.97033	CHRON
201410	646118	3qalDZ	Core	71425001		Co-prior 40/2	01/10/2014 00:00		208.91	110	208.91	30	55.2993	45	-10.299	36%_capped_R45	5.12036	CHRON
201410	646120	3qanXV	Core	78988001		Lantus solosta	01/10/2014 00:00		759.11	680	759.1	5	59.4	45	-14.4	36%_capped_R45	139.942	CHRON
201410	646133	3qd3M2	Saver	78854301		Atrovent HFA	01/10/2014 00:00		203.96	204	203.96	1	53.99	68.9862	14.9962	46%_capped_R98	149.97	CHRON
201410	646133	3qd3M2	Saver	78120000		Sandoz theop	01/10/2014 00:00		56.3	56.3	59.77	60	14.9	19.044	4.144	46%_capped_R98	0.69	CHRON
201410	646133	3qd3M2	Saver	82000000		Becliate 200do	01/10/2014 00:00		262.52	262.5	262.53	1	59.4	93.4352	34.0352	46%_capped_R98	203.12	CHRON
201410	646134	3qj5eW	Core	78391001		Amlloc 5mg TA	01/10/2014 00:00		104.95	105	104.95	30	27.78	27.7812	0	36%_capped_R45	2.57233	CHRON
201410	646134	3qj5eW	Core	72936004		Glycomin 5mg	01/10/2014 00:00		19.2	19.18	19.18	60	5.08	7.15	2.07	46%_capped_R98	0.23533	CHRON
201410	646134	3qj5eW	Core	81522008		Sandoz metfo	01/10/2014 00:00		62.02	62.02	62.8	120	16.42	20.976	4.556	46%_capped_R98	0.38	CHRON
201410	646134	3qj5eW	Core	88501005		Pharmapress	01/10/2014 00:00		126.36	126.3	126.34	30	33.45	42.7386	9.2886	46%_capped_R98	3.097	CHRON
201410	646139	3qjglL	Saver	78000001		Foxair accuhal	01/10/2014 00:00		345.05	345.1	345.05	1	59.4	98	38.6	46%_capped_R98	285.65	CHRON

- If your pharmacy subsequently falls below the PBR threshold, you will no longer qualify for the PBR variable dispensing fee, nor will you receive the *PBR line level payment report*. Your pharmacy will revert back to the standard network dispensing fee as per your signed non-exclusive designated service provider (DSP) agreement.
- In addition, after successfully reaching any one of the threshold for 6 months, as of the 1 October 2017, your pharmacy will be eligible for inclusion in the MedXpress DSP network as follows:
 - An average **PBR compliance** of 51% or
 - An average **PBR substitutable formulary compliance** of 80%, or
 - An average of **Overall substitutable formulary compliance of 82%**
- As a listed MedXpress DSP network pharmacy, your pharmacy will be advertised on the Discovery Health website as a MedXpress DSP network pharmacy and will be able to dispense chronic medicines for Core and Delta members without attracting a non-DSP co-payment.
- MedXpress DSP network reviews take place in cycles. Initially your pharmacy is reviewed every 3 months and will gradually move to 6 month cycles.
- If your pharmacy's average compliance rates over a 6 month period again fall below the required thresholds, the pharmacy will be automatically removed from the MedXpress DSP network DSP network for the next review cycle. The pharmacy will be informed via email of the change.
- Your customers will also be informed of the change in MedXpress DSP network status, with the following SMS and email.

Example of the SMS and email communication to members on MedXpress DSP network termination.

Discovery Health: According to our information you use XXX Pharmacy for medicine. This pharmacy is no longer a MedXpress network pharmacy. From 01/07/2017 you will pay a 20% co-payment for chronic medicines from them. Use a MedXpress network pharmacy or order directly through Discovery MedXpress to avoid a co-payment. Contact us on 0860 99 88 77 and select option 4 for enquiries.



- The pharmacy will remain a non-DSP and attract a 20% non-DSP co-payment until the entry criteria are once again met.
- It is important to run a stable MedXpress DSP network so that our members have certainty about how to avoid network-related co-payment penalties. For this reason, we require a signed PBR contract and minimum criteria of more than 15 chronic claims per month over a 6 month period for MedXpress DSP network participation.



Discovery Health

Discovery Med **X**PRESS

Network Pharmacy

Ask your pharmacist about MedXpress services **available here**

Discovery MedXpress is brought to you by Discovery Health (Pty) Ltd; registration number 1997/013480/07, an authorised financial services provider and administrator of medical schemes.

04 2480 3000

The above MedXpress branding is available on an annual basis to pharmacies that have reached the branding criteria. Pharmacies need to have maintained a stable formulary compliance performance over a 12 month period to be considered for branding. Unfortunately we cannot allow branding for pharmacies that are borderline cases and risk being terminated from the MedXpress network.

What is the PBR variable dispensing fees, for:

Independent pharmacies

- a higher dispensing fee of 46% capped at R98 with a minimum of R7.15 (VAT inclusive) when adhering to the PBR formulary and benchmark unit price
- a lower dispensing fee of 36% capped at R45 (VAT inclusive) when not adhering to the PBR formulary
From 1 October this will be lowered to 30% to aligned with the trend of the corporate fee.

Corporate and hospital pharmacies

- a higher dispensing fee of higher dispensing fee of 45% capped at R50 (VAT inclusive) when adhering to the PBR formulary and benchmark unit price
- lower dispensing fee of 26% capped at R26 (VAT inclusive) when not adhering to the PBR formulary

What is the PBR threshold?

- The threshold is the point where the standard network dispensing fee is replaced by the variable PBR dispensing fee. Once a pharmacy is enrolled and reaches the threshold after any given month, the PBR variable dispensing fee will be applied from the next calendar month. Payment is calculated by the quarterly *PBR line level payment report*.
- Pharmacies need to keep their PBR compliance above the PBR threshold to continue to qualify for the PBR variable dispensing fee.
- In addition, your pharmacy will enroll on the MedXpress DSP network once your pharmacy has qualified by maintaining the PBR threshold *for at least a 6 month period*.
- No amendments to Scheme submission codes or the standard Discovery Health network rates are required - the current rates and codes remain unchanged, as the adjustments will be applied to the a *PBR line level payment report* retrospectively.

From the 1 October 2017, the threshold for both independent and corporate pharmacies will be the same at 49% and 51% from 1 January 2018.

How do you identify the PBR formulary and benchmark items when dispensing?

Discovery Health has worked with the pharmacy system vendors to highlight the PBR formulary and benchmark items on pharmacy screens so that these items are easily identifiable at the time of dispensing. All you need to do is to, once enrolled, send a copy of the signed PBR contract to your vendor and ask him to highlight these items for you.

Examples of highlighted PBR items on pharmacy screens

MAP: 34.10 Diff: 1.98 :<1>=Accept,<2>=Replace,<3>=Reduce Pr,<4>=Override MPG

Patient:DOOHA A MR ANDRE Lang:K DISK

[Ph:MANAGER] Script Number...:

Drug Name.....<TAB>=Mixture : ATOLIP 20 TAB 30.0 36.08 4

(Rec. 01 of 01)

Quantity.....<TAB>=OTC/NC/ND : 30.000

Cost Plus Price..... : 36.00 Choice?

Number of Repeats..... : Auth:

Directions :- Days Supply... :

Ln	Drug	20141002	Strength	Dos.	T	S	Qty	Price	switch	MPG
1	ASPAVOR	20MG	TAB	A	4	30.0	34.10			
2	ATORVASTATIN UNI	20	20MG	TAB	A	4	30.0	34.20		
3	LIPOGEN	20	TAB	A	4	30.0	40.21			
4	BAN-ATORVASTATIN	20	20MG	TAB	A	4	30.0	87.36		
5	ATOLIP	20	TAB	A	4	30.0	36.08			
6	ATORVASTATIN WINT	20	20MG	TAB	A	4	30.0	35.27		
7	ADCO-ATORVASTATIN	20	20MG	TAB	A	4	30.0	36.08		
8	SYNATOR	20MG	TAB	A	4	30.0	32.30			

Please select Drug

Formulary items are identified by capital letters and benchmark items by brackets.

192.168.4.19 - h011

Enter generic description

Drug details DEMONSTRATION

Patient name.....<OVER> : .00 1. BETAVAL SIMVASTAT 30 30.0 34.10

Script number..... : .00 2. BETAVAL 10MG TAB 30.0 44.88

Drug name <yab>=Mixture : 1.66 3. BETA SIMVASTATIN 10 30.0 46.96

Closest match to drug name : 1.00 4. BETA SIMVASTATIN 10 30.0 47.97

Qty disp <tab>=Sel : .00 5. BETA SIMVASTATIN 10 30.0 47.97

Price + dispensing fee..... : .00 6. BETAVAL 10MG TAB 30.0 53.74

Number of repeats..... : 2.50 7. BETA SIMVAST 10MG TAB 30.0 53.79

Directions..... : .00 8. BETAVAL 10MG TAB 30.0 53.83

No Lak 9. BETAVAL 10MG TAB 30.0 53.83

.00 A. BETAVAL SIMVASTAT 10 28.0 53.87

.00 B. BETAVAL 10MG TAB 28.0 53.96

.00 C. BETA SIMVASTATIN 10 30.0 57.81

3.00 D. BETAVAL 10MG TAB 30.0 57.89

10.91 E. BETAVAL 10MG TAB 28.0 120.76

.00 F. BETAVAL 10MG TAB 30.0 152.93

ENTERED :<1> :<2>

Formulary and benchmark items are identified by the green pricing

Technical questions: Take a closer look at Performance Based Remuneration.

1. How does a change in chronic formulary influence PBR?

Discovery Health reviews the Chronic Disease List Medicine Formulary and Chronic Drug Amounts (CDAs) twice a year. We do this to make sure that the way we pay for medicine through the chronic benefit accurately reflects preferentially priced, accessible medicine as well as relevant new medicine in this dynamic market.

Any newly added formulary items will immediately improve the pharmacy's compliance figures from implementation date onward. However, this is not due to the pharmacy's performance, but to the change in formulary.

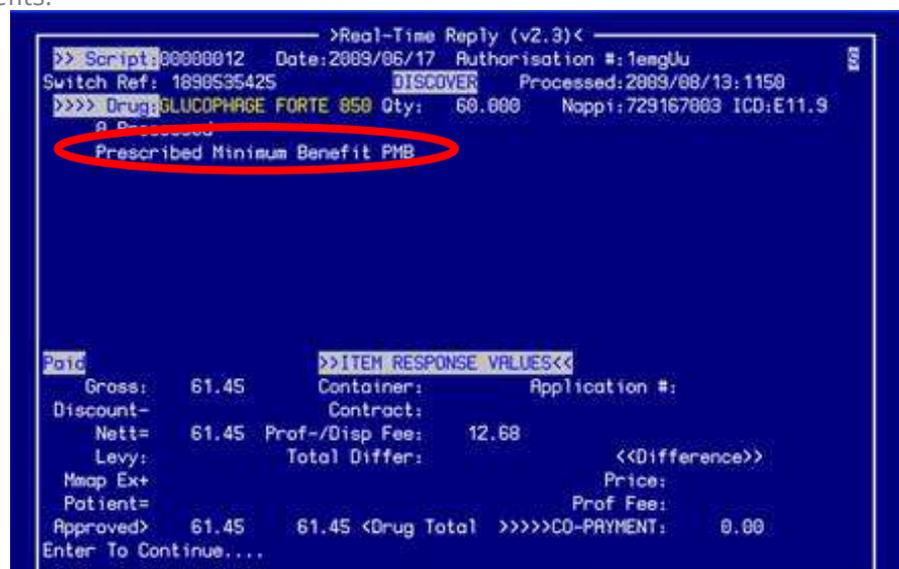
The opposite is also true - any formulary deletions may immediately lower the pharmacy's compliance figures. In order to moderate this impact, we monitor and measure the effect of the formulary change over the three months directly following the update. During this period, we run compliance reports against both the old and new formulary to quantify the portion of the pharmacy's increased or decreased compliance rate that is due to the change in formulary. Taking the effect into consideration, we may adjust the threshold, but only from 2019 onwards.

2. How does Discovery Health currently pay from chronic benefits?

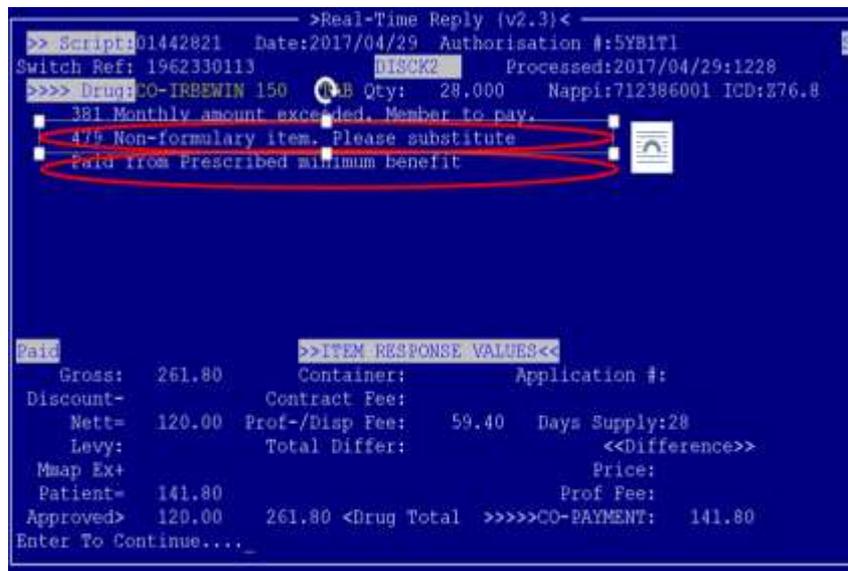
The Discovery Health formulary covers the medicine requirement for Prescribed Minimum Benefit (PMB) treatment algorithms for specific conditions on the Chronic Disease List (CDL), and is published on www.discovery.co.za.

For all our benefit plans (except KeyCare where the formulary is NAPPI specific), we pay non-formulary items (which include generic and therapeutic items that fall within the same drug class as treatment for the same condition) up to the monthly Chronic Drug Amount (CDA). Whenever the monthly CDA for the condition for the month is exceeded, your client needs to make a co-payment.

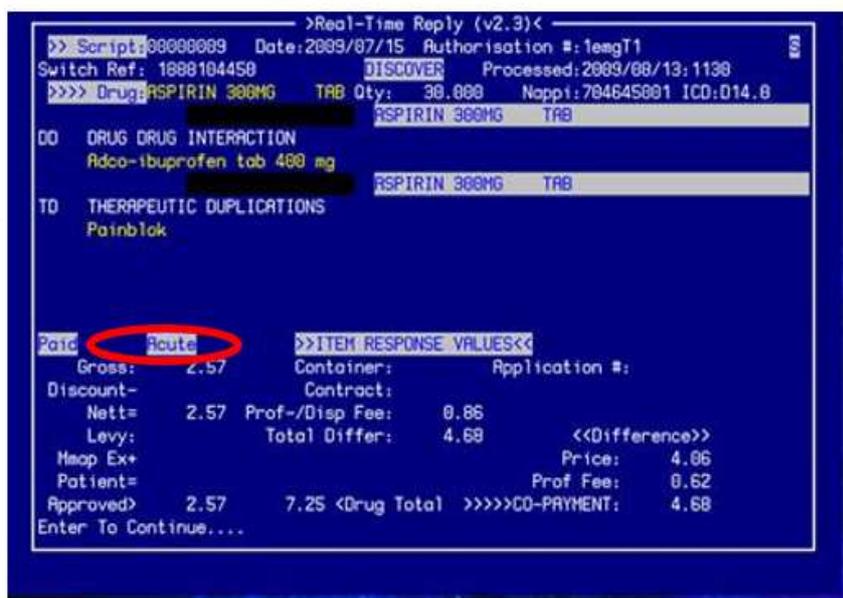
When you see 'Prescribed Minimum Benefits' as in below screen, you will know that it has been paid from chronic benefits.



When you see 479 'Non-formulary item. Please substitute', kindly note 'Prescribed Minimum Benefits' as in below screen, which means that although this is not a formulary item for the patient's specific condition, the item has been paid from chronic benefits due to a special clinical appeal authorisation.



When an item has not been paid from chronic benefits, you will see 'Acute' on the screen.



3. What is the difference between a formulary item and a benchmark item?

Regardless of price increases, we continue to cover **formulary items** published on the Discovery website in full when approved for an authorised chronic condition.

When the pharmacy has reached the compliance threshold, formulary items *always* attract the higher dispensing fee for PBR participating pharmacies regardless of price increases. Please note that the excel version of the Discovery Health PBR formulary with the benchmark pricing is published on the www.discovery.co.za under Communiqués. You can also follow this link: <https://www.discovery.co.za/portal/individual/propbm-communicues>

PBR Benchmark items are not on the formulary, these are generic equivalents of formulary items that fall at or below the PBR benchmark unit price at any given time. SEP increases, however, may cause these items to fall outside the PBR benchmark unit price at which point the lower dispensing fee applies as soon as the price has been updated. Both PBR formulary and benchmark items will be highlighted on the pharmacy screen for easy identification while dispensing.

4. What happens if the price of the formulary item has increased and the unit price is now higher than the PBR benchmark unit price?

The formulary list of items is published on www.discovery.co.za. Regardless of price increases, we cover formulary items in full when authorised. When the pharmacy reaches the compliance threshold, these authorised items attract the higher dispensing fee for PBR participating pharmacies even though the SEP unit price may be higher than the PBR benchmark unit price after the increase.

5. What about non-formulary items, like for example rosuvastatin for hypercholesterolemia?

We pay non-formulary items (which include generic and therapeutic items that fall within the same drug class as treatment for the same condition) up to the monthly Chronic Drug Amount (CDA). Whenever the monthly CDA is exceeded, your client needs to make a co-payment.

Dispensing non-formulary items may influence your compliance rate negatively where:

- the molecule is on the formulary (such as atorvastatin and simvastatin), but the SEP unit price of the particular generic product exceeds the PBR benchmark unit price
- the ingredient or molecule is not on the formulary (such as rosuvastatin).

For PBR, Discovery Health does not expect the pharmacy to achieve a 100% compliance rate. We understand that certain members and also certain healthcare professionals may choose non-formulary items that do not comply and may attract the lower dispensing fee. The PBR dispensing fee is paid in addition to the existing standard network dispensing fee, while the threshold acts as safety net to ensure that your pharmacy is never worse off as a result of your clients choices.

While prescriber preferences may from time to time compromise adherence to the medicine list, this is adequately compensated for in the PBR model by lower compliance thresholds. Please note that depending on the availability of *preferentially priced generics*, there may not always be a generic replacement item on the PBR medicine list.

6. What happens if I dispense a more expensive item that exceeds the PBR benchmark unit price, but sacrifice part of the dispensing fee to fall within the PBR benchmark unit price?

Dispensing a non-formulary item and charging less so that the unit price falls within the PBR benchmark unit price, will not affect your compliance positively as the compliance report is drawn NAPPI on our price file and the SEP value that we have.

7. Therapeutic replacements where there are no generic items available for substitution?

PBR is about cost-effective *generic substitution*. Once the pharmacy has reached the compliance threshold, the lower dispensing fee applies for non-formulary items. The higher dispensing fee applies only to formulary items that either are on the formulary list or falls below the PBR benchmark unit price.

However, whenever your client is not satisfied with a co-payment and the prescribed ingredient is not listed on the formulary (such as products like Crestor or Eltroxin), you may want to contact the doctor with the request to change the treatment. You also need to obtain a new prescription to keep within legislation.

You will receive the higher dispensing fee when you dispense a formulary item or one that falls below the PBR benchmark unit price.

It is important to note that it always has to be in the best interest of the patient and therefore it will always remain the decision of the pharmacist, patient, and treating healthcare professional whether to make a (therapeutic) substitution or not. Discovery Health will in no way interfere with this decision.

Discovery Health does not expect the pharmacy to achieve a 100% compliance rate. We understand that certain patients and healthcare professionals will choose not to fully comply. It is important to understand that:

- While prescriber preferences may compromise formulary compliance from time to time, this is adequately compensated for by lower compliance thresholds.
- Discovery Health continues to promote access to affordable medicine and therefore affordable pricing remains a key consideration in inclusion of the CIB formulary. Depending on the **availability of preferentially priced generics**, there may not always be a generic replacement item on the formulary.

8. What are the principles that Discovery Health consider for substitution and formulary inclusion?

- Affordable pricing remains a key consideration in medicine benefit design. Discovery Health continues to promote access to affordable medicine.
- Discovery Health chronic formulary benefits are compliant with the Council for Medical Scheme's treatment algorithms for CDL PMB's.
- Medicines registered with the Medicine Control Council (MCC) are treated as compliant with registration requirements of safety, efficacy and quality until deemed otherwise by the MCC
- Items not suitable for generic substitution will be strictly aligned with guidance from the MCC as applicable to all in South Africa.
- Clinical guidance from external independent clinical consultants will be considered in conjunction with prevailing regulations and legislation pertaining to medicines in SA

9. What if I offer generic replacement items, however, the patient or doctor does not agree to generic replacement?

You need to dispense the item on the prescription as per the patient or doctor's decision and you will be paid the lower fee. You always have to adhere to legislation. While prescriber preferences may compromise formulary compliance from time to time, this is adequately compensated for by lower compliance thresholds. We do not expect 100% PBR compliance.

10. Why do certain items not attract a co-payment for the patient, yet it attracts the lower dispensing fee?

We pay up to the overarching monthly Chronic Drug Amount (CDA) for non-formulary medicines, for each medicine class, for a particular condition, each month. E.g. we cover a few atorvastatin and simvastatin products on the formulary and as long as the product(s) for hypercholesterolemia (even rosuvastatin) fall within the CDA, your client will have no co-payment. The patient needs to pay the balance when the monthly amount for hypercholesterolemia is exceeded.

The CDA has however no bearing on the PBR benchmark unit price (unit price), which determines whether or not the pharmacy will earn the:

- lower dispensing fee (E.g. when a non-formulary item is dispensed (like rosuvastatin) or the SEP unit price of the dispensed atorvastatin item 20mg exceeds the PBR benchmark unit price of atorvastatin 20mg for the plan (E.g. R1.14c per unit for both Core formulary and Comprehensive formulary).
- higher dispensing fee for an atorvastatin 20mg item on the formulary e.g. Adco atorvastatin 20mg, Aspavor 20mg, Atorvastatin Unicorn 20mg and Lestavor 20mg) OR for any other product where the SEP unit price of the dispensed atorvastatin item falls within the PBR benchmark unit price of R1.14c for both the particular plan.

Name	Strength	Formulation	Active Ingredient	Core formulary for Core, Saver and Priority Plans	Comprehensive formulary for Comprehensive & Executive Plans	Benchmark Core, Saver and Priority Plans (Unit SEP incl. VAT)	Benchmark Comprehensive & Executive Plans (Unit SEP incl. VAT)
Adco atorvastatin	20mg	TAB	ATORVASTATIN	Yes	Yes	1.14000	1.14000
Aspavor	20mg	TAB	ATORVASTATIN	Yes	Yes	1.14000	1.14000
Atorvastatin unicorn	20mg	TAB	ATORVASTATIN	Yes	Yes	1.14000	1.14000
Lestavor	20mg	TAB	ATORVASTATIN	Yes	Yes	1.14000	1.14000

11. What happens when formulary items are dispensed, however it has not been authorised for funding from the Chronic Illness Benefit?

PBR only applies to medicine where the treatment has been pre-authorised and payment has been made from the chronic benefit

Prescribed Minimum Benefit (PMB) regulations allow for the use of formularies for specific PMB conditions on the Chronic Disease List (CDL) according to the PMB algorithms. This means that treatment is approved for funding on the Chronic Illness Benefit according to:

- Medical Scheme plan type (The formulary for Core plans versus Executive plans differs.)

Name	Strength	Formulation	Active Ingredient	Core formulary for Core, Saver and Priority Plans	Comprehensive formulary for Comprehensive & Executive Plans
Amtas	10mg	TAB	AMLODIPINE	No	Yes
Austell-amlodipine	10mg	TAB	AMLODIPINE	Yes	Yes

- Condition as per CDL
- Formulary item
- Only when the medical scheme member qualifies according to certain clinical entry criteria.

Claims paid from other benefits such as, but not limited to, oncology, HIV, and acute benefits, fall outside PBR. These claims will continue to be paid according to the chosen network dispensing fees.

You also need to keep in mind that an item that forms part of a treatment guideline for a particular condition (such as bisoprolol for congestive heart failure), may not form part of the treatment guidelines of another condition (such as bisoprolol for hypertension) in which case it may not be authorised for a patient for hypertension.

- When an item has not been clinically authorised for a particular patient with a particular condition, the item is funded from the day-to-day benefits (Medical Savings Account) and the standard network dispensing fee is be paid, even if the item is on the formulary for that condition or for a different condition.
- When an item has been clinically pre-authorised for a particular patient with a particular condition, the item is funded from chronic and the claim qualifies for PBR dispensing fees even though it may have been authorised for a different condition. (E.g. bisoprolol authorised for some patients for hypertension on a clinical appeal authorisation where it is normally only authorised for congestive heart failure)

PBR only applies to claims of pre-approved chronic medicine paid from the Chronic Illness Benefit. You also need to keep in mind that there are various types of authorisations. Where we may have granted a patient a '*special authorisation*', we pay from the Chronic Illness Benefit up to the monthly CDA and the patient will be liable for a co-payment when exceeding the CDA.

The higher dispensing fee applies to authorised chronic medicine claims, if the SEP unit price of the dispensed item is lower or equal to the PBR benchmark unit price for the particular active ingredient. For instance, bisoprolol is on the formulary for *cardiac failure* in which case, when authorised, the patient will have a '*chronic authorisation*'. Where bisoprolol has been authorised for *hypertension* as a '*special authorisation*', it will pay from the Chronic Illness Benefit up to the CDA and the patient will be liable for a co-payment when exceeding the CDA. The higher dispensing fee applies when the SEP unit price of the dispensed item falls within the bisoprolol PBR benchmark unit price. Please note in these '*special authorisation*' cases, the system responds with reason code 479: '*Non-formulary item. Please substitute*'. This happens because the authorisation has not, in this particular case, followed normal protocols.

Patients sometimes have been granted a '*special appeal authorisation*' that is NAPPI code specific. Medical Scheme Members with a '*special appeal authorisation*' will not automatically have access to a generic substitution unless Discovery Health changes the appeal to a standard authorisation. Pharmacies need to call the Add-A-Line at 0860 44 55 66 for the change in authorisation.

12. What happens if I do not receive PBR compliance or payment reports?

Ensure that your pharmacy participates in the PBR network and that Discovery Health is in possession of a signed PBR contract.

Call 0860 44 55 66 or send an email to provider_administration@discovery.co.za and ask to check your pharmacy's dispensing email address on the system. You will be responsible to ensure that the dispensing email address on our system remains updated. You can also ask the call centre to request your compliance figures.

13. What happens when there are out of stock items?

When an item is out of stock:

- 13.1 Report out of stock items by sending a mail to: CIBAPPFORMS@discovery.co.za or call 0860 44 55 66. Alerting us will assist us to follow up with the company.
- 13.2 Please substitute with alternative PBR formulary or benchmark items as due to over-coding, most items do not need re-authorisation.
- 13.3 Where necessary, please obtain authorisation for alternative items:

- by following the normal application process by sending an email to CIBAPPFORMS@discovery.co.za
- Where urgent and the client is waiting at the dispensary, obtain telephonic authorisation for a replacement item by calling Add-a-Line at 0860 44 55 66

Kindly note: Depending on the availability of *preferentially priced generics*, there may not always be a new generic replacement item added to the formulary.

<p>Out-of-stock medicines</p> <ul style="list-style-type: none"> • <i>Substitute with alternative formulary items (formulary document on the website) as these do not need re-authorisation</i> • Where urgent, obtain telephonic authorisation for a replacement item • Alternatively obtain authorisation by email • Confirm of out-of-stock items at: 	<p>Health partner call centre</p> <p>Add-A-Line call centre (re-authorisations)</p> <p>Email member list for re-authorisation to: Email enquiry to:</p>	<p>0860 44 55 66</p> <p>0860 44 55 66</p> <p>CIBAPPFORMS@discovery.co.za</p> <p>CIBAPPFORMS@discovery.co.za</p>
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