

Bank Saves Millions of Dollars with the Help of The Burchfield Group

| Case Study |

HSBC is one of the world's largest banking and financial services organizations. With more than \$2.5 billion in assets and 470 banks in North America, it markets itself as the world's local bank.

GOALS

When Frank Janecek joined HSBC as Vice President of Benefits Design and Human Resources Policy, he had two major goals. "The first was to keep our benefits competitive from a cost and overall benefit value standpoint, between 50 percent and 75 percent quartile of what our competitors had in place. And second, to keep our benefits attractive and affordable for our employees on an annual basis."

CHALLENGES

With pharmacy costs making up 10 percent to 20 percent of health care costs overall, it soon became a focus of Frank's attention. 40,000 employees and a \$55 million-plus pharmacy spend made both the potential and the challenge great. He was initially faced with several issues. First, pharmacy claims had not been audited in a long time so he had no baseline to understand his Pharmacy Benefit Manager's (PBM's) performance. Second, he suspected that his PBM contract was outdated and non-competitive, and third, he recognized some management reluctance to changing programs. It had been several years since an RFP process for pharmacy benefits had been conducted.

SELECTING A PARTNER

HSBC had to assess how it would undertake a project to develop competitive pharmacy benefit costs. One consideration was its own level of experience.

First, HSBC decided to request help from an outside consultant.

"The PBM world is very complex, and even being in the business for 15 years or so, I really didn't feel comfortable that I knew the ins and outs of what a PBM contract looks like," says Janecek. "It's just too complicated, there are too many moving pieces, the industry changes so rapidly and the way prescription drugs are priced is very complex. How PBMs make money is very multi-faceted and unless you know all those things, there are areas you might not address or you might be leaving money on the table."

This led to HSBC's second decision: Selecting a specialized pharmacy benefits consulting firm.

"We had some generalist consultants in place and we had large health care consultants trying to get our business," Janecek says. "So, we spent a lot of time looking at who could potentially help us with this project, and spent a lot of time deciding which resource we were going to go with."

"We selected The Burchfield Group," continues Janecek. "I had worked with Burchfield in the past and knew of their capabilities. It came down to pharmacy



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– Frank Janecek
VP Benefit Design & Human Resources Policy
HSBC North America



expertise, and it came down to who the people were. Do we feel comfortable with them? Do they know the industry well? Are they accessible? Do they have a rigorous pharmacy-oriented RFP process? Burchfield was focused on pharmacy and they were independent.”

HSBC first selected Burchfield’s contract review services and an audit of their PBM in order to understand current performance and establish a baseline.

“With more than \$50 million spent on pharmacy each year, we feel that it’s important to audit our plan every other year to make sure that it’s running well and our PBM is adjudicating claims properly and applying our pricing properly,” Janecek says. Burchfield’s audit and review of the HSBC contract showed that the PBM contract did not hold the PBM to aggregate or minimum generic discount guarantees. As a result, Burchfield recommended HSBC conduct a Request for Proposal (RFP) process to ensure competitiveness of rates and to negotiate a contract that protected HSBC’s interests.

HSBC conducted an RFP for PBM services with Burchfield’s help. There were several key subtleties to conducting the RFP and negotiating the contract that went past simply putting a project out to bid. First, the RFP methodology and contract negotiation led to a contract that held the PBM to discount guarantees. Second, proper contract terminology was put in place to assure auditing rights. Third, a comprehensive review ensured exactly what was agreed to in the RFP actually translated to the contract.

Burchfield delivered these services through a rigorous process, evaluating PBM pricing models and services, selecting and coordinating finalists, performing contract negotiation and elimination of loophole and implementing oversight.

RESULTS

“Our results were about \$11 million in savings over two years, which on a \$55 million pharmacy spend was a nice savings for us,” Janecek says. “We probably would have gotten only 50 percent of the savings if we would have done that on our own. My advice would be to definitely use a specialist.”

The Burchfield Group

The Burchfield Group is a nationally recognized pharmacy benefit management consulting and auditing firm. We save our clients millions of dollars on their pharmacy spend while preserving the quality of their benefit. Burchfield helps plan sponsors evaluate and select PBM vendors, design pharmacy benefit plans, monitor plan and PBM performance, and audit results. Current clients include many Fortune 500 corporations, large and small employers, Taft-Hartley Trust Funds, third-party administrators and managed care organizations.

