Podcast 119: Improving Health Care Affordability Through PBM Optimization with Eric Levin

John Marchica:

Welcome to season four of Health Care Rounds. Here, we explore the vast and rapidly evolving healthcare ecosystem with leaders across the spectrum of healthcare delivery. Our goal is to promote ideas that advance the quadruple aim, including improving the patient experience, improving the health of populations, lowering the cost of care and attaining joy in work.

I'm John Marchica host of Health Care Rounds. I'm also the CEO of Darwin Research Group and faculty associate at the Arizona State University College of Health Solutions. Please don't forget to rate and review us wherever you get your podcasts and send your questions, comments, or ideas for Health Care Rounds to podcast@darwinresearch.com let's get started.

Kim Asciutto:

Today, John speaks with Eric Levin, CEO of Scripta Insights. Eric is a seasoned executive and serial entrepreneur who has been involved in more than 32 mergers and acquisitions. He has held several high level roles at both large and small companies and has helped to grow multiple companies from startup through large scale global success.

John Marchica:

Eric, thanks so much for agreeing to do this, for spending some time with me and the audience today. You know I was looking on LinkedIn before, and of course we had our pre-interview, but I realized, have you ever worked for anybody? I thought I was a serial entrepreneur, but at least I had some time with Abbott under my belt. But it looks like you've been an entrepreneur almost your whole career?

Eric Levin:

Well, not really. So the first 10 years of my career I did work for people, but for eight of those 10, I worked for someone that everybody now seems to know, Kevin O'Leary, Mr. Wonderful on the Shark Tank. And so it was a real company for sure. We were a publicly traded company and it became very large. During the time that I was there it grew from about 30 million in sales to about $1.2 billion in sales. So we became a pretty substantial company.

And if there's any doubt, yes, he's an entrepreneur, but he is definitely a boss. Right? He is a pretty demanding guy to work for and I felt I needed that. So for me coming out of school, I was always interested in entrepreneurship, but I felt I needed some work experience. I don't think I could have been successful as an entrepreneur if I didn't get some, I think I really wouldn't have known what to do.

But then as soon as I sort of had that experience, I did really go the entrepreneurial route and I love it. And I mostly love it because at the end of the day, if it goes well, it goes well, like we're always happy. But if it goes badly, I have nobody to blame but myself and I kind of like that.

John Marchica:

Yeah. Yeah. Do you know Dan Sullivan? Does that name ring a bell?

Eric Levin:

No.

John Marchica:

So he's probably retired from his position, but he ran an organization called the Strategic Coach and it was a consulting for entrepreneurs and they had this whole program. I did it years and years ago, but one of the things that he said is people often say when they're working for another company that is job security, but when you think about layoffs and being subject to the whims of your manager, your boss, it's like when you're an entrepreneur, that's total job security, because whether you succeed or not is entirely up to you.

Eric Levin:

And I also think that the world has changed. There was a time you could go to work at IBM and retire at IBM, but that's certainly not the case anymore. My sister has had a much more corporate career and she literally was working at IBM and getting nothing but the grave reviews and bonuses and promotions. And then one day they said, "Well, we're eliminating 10,000 jobs."

In a few months you want to move to someplace she had no interest in moving, you have 30 more days. Right? So I think the world has really changed there. I would also say going back to the entrepreneurship thing, I have very clear memory of... The nice thing about working for a big company, especially if you're an executive, is that the paycheck ferry comes every month and deposits this big check and it's just like magical. Right?

Next thing you know there's a lot of money in your account every month and you kind of take it for granted. And then my first truly entrepreneurially experience, like I remember depositing that first $10,000 check and it was so tangible and it was also very empowering, because it felt like all of a sudden, I knew how to fish, I didn't just catch it. Somebody didn't give me a fish, I knew how to fish.

And now I could have this confidence that no matter what happened, I could put food on the table. I have skills that somebody will pay me for and I found that really transformative.

John Marchica:

It's an interesting journey. People like you and me who've made the choice to kind of go out on our own and build our organizations.

Eric Levin:

It is. And can be very fulfilling and there's pros and cons to both lives, right? I mean, there's great things about working with a large company and having an employer and there's great things and vice versa. There's painful things about each of them. I've done each of them because of my last... And I sold my last company and as part of that, I had to stay for three years and work as an executive at this $20 billion a year conglomerate based out of Asia.

So I very recently had kind of a big corporate job and just different. And then you have to figure out what works for you and what gets you up in the morning and makes you excited. And for me, I get excited building things. I get excited when I can kind of get my fingers in the dirt and farm. And so I figured if I'm going to be stressed out either way, I might as well be stressed out in something I enjoy versus something that feels like work.

John Marchica:

Yeah. I totally agree with you. The time that I spent at Abbott was invaluable. The years that I was with Abbott, just understanding how corporations work. I never rose to the highest levels of management,

but I had a variety of different positions in product management and pricing and managed care and I started out by selling.

You don't get anywhere in the pharmaceutical industry unless you carry the bag. I had to do that. So I agree with you, there's pluses and minuses no matter where you go. So anyway, enough about entrepreneurship. Before we get into your company-

Eric Levin:

Sure.

John Marchica:

... I've had a couple of guests already that are related to the Pharmacy Benefit Management industry. I want to say at least two, maybe three at this point. So from your perspective, what's wrong with the PBM industry?

Eric Levin:

I don't know that I necessarily characterize it as right or wrong, because I'm a pretty free market guy, right? I'm a capitalist and I believe in our system. I think what's wrong with the system though is a couple of things. One is somewhat systemic in that there's an oligopoly of sellers, right? I think there's a misunderstanding in our country today that capitalism shouldn't have regulation and that's really not the case.

For capitalism to work really well in fact, you need regulation. And so we used to, as a country, be much tighter about antitrust issues than we are today, but we really let things go. And when you have an oligopoly of sellers, you're always going to have an imbalance in the market. So that's point number one and it's a big part of what we do.

But point number two, that's also really interesting is, the buyers of PBM services seem to not really fully understand that they're doing business with a for-profit organization. That is the fox guarding the henhouse. They hire them and they think that because they've hired them, they're on their side and they're not. In fact, their fiduciary duty as publicly held companies is to maximize their shareholder value and stock value, right?

So they're trying to maximize profit every single minute of every single day. So when you hire a PBM, if you think that their job is to get you the best deal all the time, you're deluding yourself. And unfortunately, there're so many people in the buy side of this equation that just sort of let the fox guard the henhouse. And often will say, "Well, we could do this. We can do this for you. We'll save you all this money."

Say, "Well, doesn't our PBM do that?" Well sort of but not really, right? Because they have a very different goal at the end of the day than you do. Their goal is to make money for them and your goal to save money for you. So if you put those two things together, one is systematic and one is actually perceptional, right? And it makes for a lot of waste, frankly. I mean, at the end of the day, there's just a lot of excess money being spent that's caused by inefficiencies of a market that has those characteristics.

John Marchica:

So does the fact that we've got Optum under United, we've got Caremark under CVS, we've got Cigna, Express Scripts. Does the fact that there is a payer PBM relationship make things worse for the consumer or worse for the employer or is it kind of a neutral or a nonevent?

Eric Levin:

I think that it's fundamentally more neutral than you might think, right? Just because the two things are together, does not necessarily mean a bad thing for the client. But going back to the initial discussion, the concept that by putting them together, by buying them as a bundled service, you're going to get a better deal is a misperception, right? So it gives a really strong selling story to the sell side.

And if the buy side isn't really well-versed in how to control their spend and read between the lines and understand what they're buying, and doesn't have all the data they need to really stay on top of whether it's happening, the buyer is going to lose in that equation. And so, we see people that are carved in, as they say, they're connected or carved out, where you have a separate PBM from your insurance carrier.

And I would tell you that one doesn't do better than the other because of that. One does better than the other because they're either a better buyer or a worse buyer. And so what we really focus on is trying to help people be a better buyer.

John Marchica:

So from what I understand, I mean, there is a value proposition that PBMs do to their... I mean, you talked about an oligopoly. So when you look at the largest ones, they do command a large number of lives and so they can negotiate better discounts, better rebates, so there is some value creation there.

Eric Levin:

Sure.

John Marchica:

At the same time, what's the problem with having so much power concentrated in the few?

Eric Levin:

Yeah. So I think that the simplest way to put this, is I always back it up and say, forget it's pharmacy. This is a buyer seller transaction, right? So think about your entire company. If you make products, physical products, you have a sourcing group, and let's say you bought circuit boards. I guarantee you, you have a sourcing person, a buyer who's maybe a cost account, who knows exactly what a circuit board should cost. He knows what the market are for circuit boards, he looks at every bill that comes in. And that's the same. Think about hiring, right? Your HR department knows by region, by job role, approximately how much you should be paying for somebody. Right?

John Marchica:

Right.

Eric Levin:

And then you come into this space and nobody knows what a drug costs. Like literally nobody knows. So you have this one area of your business where you're not buying the same way you buy every other part. Like we have 150 years of business best practices around sourcing things and we throw them out the window when it comes to this. And so, it's really kind of fundamentally understanding that and becoming a better buyer that changes this dynamic.

Because the truth is because they have so much power if they wanted to, the big guys could give you the best deal period. But do they want to? And if they don't want to, because their goal is to make money,

do you have the tools to squeeze it out of them, like you do with your steel supplier and your chip supplier and your paperclip supplier?

And so the bigger they are and the better the story they can tell, "Hey, come with us. We could do your medical and we can do your this, and we'll put it all together. And because we're so big, you're going to get the best deal. Don't worry. You trust me." That's a lot of what happens, right? Because it's sensible on the surface.

Like, "Hey, listen. And by the way, we'll guarantee you a huge rebate, huge rebate. We're going to give you $10 million a year at the end of year, we're just going to write you a check." You really ought to ask yourself why they have $10 million to give you back at the end of the year. It's so fundamentally kind of flawed from a purchasing perspective, right?

And I think sometimes when you get yourself out of the complexity of this marketplace and it is really complex and start to think of it that way, suddenly, things become a lot clearer and it doesn't matter how complex it is because now you're just focused on best practices of buying anything. Right?

John Marchica:

Yeah. I've always wondered from the pharma perspective. Like if they grudgingly accept the fact that they have this middlemen in the transaction, or if pharma sits around and says, "We'd be better off without them. We'd be better off without this negotiator, this middleman." And I haven't had this conversation, I probably should with pharma folks, what do you think?

Eric Levin:

Well, go back sometime and watch the testimony of the CEO of the company that makes the Epipen. When she was pulled in front of Congress and getting destroyed.

John Marchica:

I remember that.

Eric Levin:

Trying to explain to them that "No, no, no, no, prices went up," but the prices really went down. You see we charge more, but ultimately people pay less. Do you think she wants to have that conversation? Do you think that she really is sitting there going, "I want to charge $800, but give $700 of rebates" or do you think she'd rather sell it for a $100 and not be sitting in front of Congress?

I would tell you that from my perspective, I watched those and I say, there's no way that pharma can be happy about the fact that you have three middlemen in an oligopoly and two distributors in an oligopoly that control their ability to get from their labs, where they create amazing things that save lives to patients that need it. And there's people in the middle that their core job is to do paperwork, right?

They were created actually to... For a self-insured company in particular, to be able to process their claims for them. That's their core job, right? Claims processing. But they evolved into this role in the market where they became the arbiter of what goes on a formulary and where it's ranked in a formulary and therefore, how much are you going to give me to put it up higher on your formulary?

Well, you'll give me more? Great, but if I'm going to give you more, I have to charge you more, otherwise I don't have any more to give you. And we created this whole system that... Again I haven't talked to pharma people either, but I got to believe if I'm a pharmacy it makes me insane, because I'm getting lambasted every day about the cost of drugs and how unfair it is and why are these inflation?

And ultimately they're saying, "But we're giving lower net prices." Why are you yelling at me? Because list price is what makes them look bad and that's all caused by the PBM.

John Marchica:

If you eliminated PBMs tomorrow, it wouldn't necessarily get any better because the chain pharmacies, Walgreens, CVS, and of course CVS has a PBM, Walgreens has a PBM as well. That the lion's share of the pharmacy market and retail pharmacy is held by... It's an oligopoly again. So I don't know that it would necessarily get any better. Anyway, we're up in the clouds-

Eric Levin:

Yeah. Well I think they serve a really important function too, right? I mean, I think it would be really hard for companies to do... They need somebody to do what a PBM does. The only question is, does the PBM need to have that much control and make that much money on it? Right? And that's really where kind of the problem starts to come in if you're on the payer side. And I look at everything from the payer side, that's our business, is to help lower costs for our clients.

So again, fundamentally I'm not one who's going to sit here and tell you, "Oh, PBMs are ruining everything and PBMs should all go away." I think what we push for is more transparency in the total marketplace. And I think you and I had a bit of this conversation, but very simply we look at the role... We look at any other market where there's a buyer seller asymmetry of information. Right?

John Marchica:

Right.

Eric Levin:

So the example I always give is sourcing goods from Asia. Not a lot of people know about it, but it's fascinating actually. And the way that that was always done was it was really hard to buy things from a factory in China. They don't speak the language, they're really far away, et cetera, et cetera. So these organizations called agents sat in the middle and it would sit in places like Hong Kong and they spoke English and Cantonese and Mandarin, and they would help you to do business in China.

And since you couldn't speak Chinese and they were sitting in the middle, they could kind of tell you anything you wanted. Like how much does that cost? Can you get it for a dollar? And they know they can get it for 50 cents, but they said, I can get it for 75 and they keep the difference. And this was the model of that trader, that middleman in sourcing goods.

Well then Alibaba comes along and takes advantage of technology and suddenly I can go on the internet and I can say, "I want to buy a 1,000 widgets," and I can have 10 factories give me a direct price quote immediately. That's really the same kind of thing that's happening in the pharmacy space. Right? And so what happened to the middleman in that corollary? It wasn't good.

Li and Fung is the largest sourcing company in the world. They do about $20 billion in revenue. They haven't made a penny of profit in six, seven years. So they've done maybe $120 billion in sales and haven't made a penny, because the transparency that came through that technology ultimately made the middleman job different. And I think that, that's what we think can happen that will help balance this market and put the PBMs back in the role that they should be in, as opposed to the role of collecting all the profits that pharma or the employer should have.

John Marchica:

Yeah. I mean, when you think about how technology has disrupted the middleman in so many different markets. I mean, the obvious ones is as you described in the Chinese market, the one that everybody talks about these days is Uber and other ride sharing platforms. I mean, if you think about it, as a consumer, the experience of using Uber versus hailing a taxi it's very, very different and it's at a lower price.

So I'm wondering and I want to get to... I was going to talk about disruption and you gave me a great example of that. Tell me about how your company is disrupting the PBM marketplace and how you're actually able to save money for payers and employers and I guess ultimately the consumer.

Eric Levin:

Yeah, it's definitely for all payers. So if somebody pays half the bill, somebody pays the other half, now it's not 50/50 usually, but there's some percentage paid by the patient and some percentage paid by either an insurance company or by a self-insured employer. So, ultimately, it comes back to the principles that we started talking about, right?

So how are you a better buyer of things? And the answer to that is generally the more informed you are as a buyer, the better buyer you'll be. The better you understand what you're buying, what it should cost, what the alternatives to those things that you're buying could be and what the trade offs would be, the better buyer you'll be. And I don't care what it is you're buying.

Like that's true whether you're buying circuit boards or whether you're buying hula hoops, right? Like this is the core buying. The problem in PBM space is that if you think about it again, we have this oligopoly of expert sellers, right? And they have pharmacists and doctors and all these experts that work for them and buyers are very fragmented, right?

Even if you're a large employer, maybe of a 100,000 lives or 150,000 lives, it's a drop in the bucket for your supplier. They have 20, 30, 40 million lives. Right? So you're never really that important to them. So on your side, as the buyer, do you have a pharmacist on staff? Probably not. Do you have a doctor on staff? Probably not. Right?

So ultimately you are relying on your supplier to provide all the expertise and you have no way of verifying whether or not they're optimizing the deal you made. And so what we do is we've developed a system of software that can take your bill every month when you get it, go through it with expert eyes, so from a technology perspective, we would call it an expert system.

We've taken the brains of 27 doctors and pharmacists and everything they know about how to save money on every drug and coded it into a system. But we update it every single day practically as new things change in the market, plus data analytics, a big data issue, a problem which is you have all this information. How could I possibly go through it all?

You can take an expert system and a data analytics system, put it together and have it read your bill for you, what it spits out is, all of the areas where you could be saving money, in a digestible way that you can understand. Right? So, it's broken down where it doesn't just say, "Hey, you're spending a lot on specialty drugs." Well, we know that.

Well there's 20 different strategies within specialty drugs. Let's take one that is say limiting the initial fill quantity. Are you doing that? No. It looks like we filled a whole bunch of specialty drugs on the first fill for 30 days. That first fill for 30 days might cost 10, 20, $30,000, but you took a pill for three days, you had a bad reaction and you threw the rest away. So you've now thrown away $28,000 worth of a drug.

So what you need is a policy that says on your first fill of an expensive specialty drug deal, you start with seven day supply. Make sure you don't have a reaction, if you don't, then you can get the rest of the month. So we've shown you within your data where there's leakage, where there's waste.

We've told you exactly what the strategy is you can do about it and now you can sit down and have an informed discussion with your PBM and say, "Hey, from now on, we want you to put a little switch in your system that says, 'These specialty drugs can only be prescribed on its first prescription for seven tablets or files or whatever it is in time and then if the person has a good reaction, you can go forward.'" That simple thing might save a company, a million dollars a year.

John Marchica:

Are you using AI to, I guess, inform best practices or are you also looking at the prices that companies are paying for drugs? Because PBMs will negotiate different discounts, different rebates. Are you able to discern the differences there or are you mainly looking at best practices?

Eric Levin:

No, we definitely are. So we're benchmarking against all kinds of data, including pricing data, regional pricing data. I'll give you an example. Very simple AI, right? This is like in the simplest terms of what machine learning or AI means. So our system can say two people work for the same employer and they fill the same prescription and they were in the same zip code, but they pay two different prices.

Ding, ding, ding, what's going on? And they can look and say, "Oh, Walgreens in this market is cheaper than CVS for that drug." And then we can go and alert all the people that live in that zip code, "Hey, instead of filling that prescription at Walgreens, go to CVS and you'll save $10 a month, that's $120 a year." So AI in our world works to identify patterns that might be hard to see because the data's so big, right?

This is sort of what it comes down to, so many transactions. Would a human, would a spreadsheet ever have gotten to that level? Or they caught that... It's usually a cluster of zip codes, but let's just say it's a zip code, where it's cheaper at one pharmacy. We probably would never get there. But, ultimately, it's the how do you eat an elephant thing, right?

Everybody wants to save all this money. There's so much money on the table, but you don't know where to start. And the answer is eating an elephant one bite at a time. And if you just attack every little hole in your boat, that's letting in water, you have to find it, you have to patch it and guess what? Next month a new hole comes and we have to find it, we have to patch it.

And that vigilance, that ability to see through... Thinking about the movie, The Matrix, where the symbols are all falling down and you can kind of see through the matrix and go, "Oh, there's a pattern there." That's really what you're able to do using a machine learning software and expert systems, that's pretty much impossible to do in any regular basis in today's environment. So we look at it as like, today you're sort of fighting with a slingshot, we're about to bring a machine gun to the fight.

John Marchica:

Yeah. Yeah. So, you said that you're working with the payers, but it seems like you're really servicing the employers. I mean, ultimately most people in this country they get their health insurance through their employers, so they're the ones that are footing the bill. And if you're identifying these patterns, like you said, whether it's an expensive specialty med, let's start you on seven days versus 30 days, or it's looking at pricing discrepancies between a CVS and a Walgreens in your given market, ultimately, it's the payer that benefits, right?

Eric Levin:

It is. So in our world, the payer is a self-insured employer or a regional health plan that does not own their own PBM. So a lot of the regional health plans are outsourcing their PBMs to like Blue Cross Blue Shield of Massachusetts, who we use for our benefits, uses Express Scripts as their PBM. Right? So my benefits are with Blue Cross Blue Shield and Express Scripts. So, there's a very similar situation that both of them have.

And then the other part of the payer is if you're a regional health plan, it's your member or for employer, you think of them as your employees. And there's a whole other piece there. One of the things that really bothers me is when we go and we have a meeting at a board level and you get an HR department who will say like, "Well, our copays are so low. They're only $25. Nobody's going to take action to save $25."

And we know that's not true. We know statistically people will change for $10, but let's extrapolate that out. If the average person is on three drugs, this can save $10 a month, that's $30 a month, times 12 months, that's Christmas, right? It's really, really a big deal. So we live in a world where we have consumer directed healthcare, right?

Which is this wonderful euphemism for push it onto the consumer. And I love the idea of it, be a better shopper. But how on earth is Eric Levin who went to business school going to be a better shopper for pharmacy? I don't know anything about pharmacy. So my doctor tells me to take Dymista, I take Dymista. Now this happened to me. I went, I got prescribed Dymista for an allergy. I went to CVS to pick it up, it was $428.

I called my company and said, "I just got prescribed Dymista it's $420, do we have any strategies?" And my company said, "Well, yeah. Dymista is just fluticasone and azelastine mixed in the same bottle, get two separate prescriptions, it's exactly the same thing. You'll have to put four squirts in your nose instead of two." Called my doctor back, got it done $32.

So you think about the difference there, you're talking about saving 370, $380 a month, times, 12 months. And it's my burden until $5,000 deductibles hit and then it's my company's burden. So if you can give consumers the tools to be better consumers, they will be. And that's where we really come in on that side of our businesses, is our core business is PBM optimization, it's helping the buyer of PBM services buy better.

But part of helping them buy better is helping their members make better decisions. Their members can make better decisions if they don't have better information. Right? So it all sort of comes together and completes the circle.

John Marchica:

So do you see a consumer strategy in your future?

Eric Levin:

For sure. So we have one now that's a part of what we do for consumers that we work with their employers, right? So we already do that. But we also see an opportunity to help people that are not with our service in the future as well. We don't see it as a core part of what we want to do. We don't see ourselves as primarily a direct to consumer business, but we love the idea of helping people save money on their pharmacy and building a brand that means that, right? And if that ultimately helps us to build our brand and get more people to be smart consumers, we think it helps our whole business.

John Marchica:

Yeah. Yeah. Well, of course good RX is in that space in terms trying at least to help consumers save money.

Eric Levin:

So I spent my Sunday night and reading their [inaudible 00:29:47], have you read it?

John Marchica:

I haven't, no.

Eric Levin:

You haven't. So I spent Sunday night reading it, it is fascinating. 98% of their revenue comes from the three major PBMs.

John Marchica:

Really?

Eric Levin:

Yep. So, the company that is the great savior of the consumer, that's going to defeat the system that's holding us all down, makes 98% of their money from the oligopoly that created a system that they then can help people skirt. So it's pretty fascinating. And I think what they do is great they saved I think $20 billion for people. That's amazing.

But from a larger perspective, when we look at it, there are times when somebody's using a coupon, if you're a self-insured employer, the reason pharma does all this, the reason that they let good RX give their coupons, right? Is because they're trying to get around the plan design that you've created. Right?

So you've made a drug more expensive to try to get a consumer to talk to their doctor about taking a less expensive one. And then good RX comes and says, "I'll take the expensive one. We'll give you a coupon. It'll be the same price." Well guess who pays the rest of that still? The employer.

John Marchica:

Right.

Eric Levin:

So it always fascinates me when I see employers offer good RX as part of their benefits, because there are times when that's good for them and there are times that it's really bad for them.

John Marchica:

So Eric, any final thoughts about... If you think about drug pricing and PBMs, I mean, this is a very complicated subject. I've talked to people in pharma, who've been in pharma their whole careers and they don't understand the whole pricing model and how it works. And it's interesting how you're approaching the issues with pharmacy benefits in a very different way than folks that I've talked to. To kind of wrap things up, what are your final thoughts on PBMs and where we are today and where you see things in the next three to five years?

Eric Levin:

Yeah. So I think generally, we're pretty optimistic just in terms of, there's a lot of technology coming into the market, and we think technology has a pretty good chance of making positive disruption for the industry. And ultimately, what we really would say is our discussion is with the buy side, right? If you're an employer or a regional health plan, use the technology to be a better buyer. Right?

And so, I don't think that the government's going to somehow rescue us, don't think that suddenly the whole market's going to change. It's most likely not. The chances are that's not what's going to happen. But what can happen is that there are new weapons in your war on cost containment that you can take advantage of.

And I think if you start to think about the relationship you have with your PBM and how you do cost containment around your pharmacy spend, the way you do other parts of your spend and you start to use good best practice techniques and align yourself with the experts who have the systems that can help you get better information, to be better informed, to make better decisions, to have better negotiations and to optimize whatever deal you're in, there's a lot of money on the table, and it's not really that disruptive, right?

Like we don't spend a lot of time telling people to change their PBM. It's not even part of our business. We say "You have a deal. Let's make the most of the deal you have," right? You have a contract already. How do we get the most out of it?

And if you're going to have a new contract on, wouldn't it be nice if you had a really good understanding of your spend patterns and your population, so that when you're negotiating your new contract, you really are negotiating from point of expertise and knowledge of your specific population and needs, as opposed to national benchmarks, let's say, or past performance that might indicate what might happen to the future?

Which we kind of know it doesn't, right? So the one thing that's pretty much guaranteed is the minute you sign your PBM contract, it's out of date. Because three months later, your population's changing and the market's changing and the drug market... So really don't think of it as something you do once a year, once every three years, think of it as a discipline.

We're going to really take a look at how we're spending our money every month and we're going to really go to our partner, our vendor, our PBM and say, "Hey, we're seeing some things we want to control and here's the facts around those things and what can we do about it?" Just simply taking that attitude as opposed to sort of assuming your PBMs are always on your side and looking out for your best interest at every moment, this will have a huge impact. I mean, generally we see 46% savings opportunity when we do an analysis. Now that is La La Land.

That's if every transaction was optimized, that's not what's going to happen. But there's 46% on the table in a $300 billion industry, it's a $150 billion on the table. I mean, what if you could capture 30 billion. That's a lot of money, right? And generally we do capture about a third of the savings opportunity on the table. So there's really no reason you shouldn't be seeing decreases year over year of 10 to 15%, when most people are seeing increases of six to 8%.

John Marchica:

So I meant to wrap it up there, but I'm going to ask you one final question. You can choose not to answer. And that is in your business model, are you going at risk or in other words, are you sharing in some of the savings or do you charge a flat fee?

Eric Levin:

Yeah. No, I'm happy to answer that, because we feel really strongly about it. So we charge a PMPM or PEPM depending on how it converts. Right? And we do that for a couple of reasons. The most important reason is that ethically, we would never want somebody to say that we're recommending a less expensive drug because it makes us more money, we just would never want to be in that position.

And then there's a business issue, which is people that do their spend at risk, tend to end up fighting with their customers later when they send them a bill. "What do you mean I owe you $50,000?" And now you're fighting with them about like... I don't want that relationship with my customers either. What I want to do is give them a price that's so fair and it's so obvious that we're returning a return on investment that they say, "Yeah, this is a no brainer."

So we charge a PMPM fee, typically returns three to five times cash ROI in the same year. So it pays back right away and it's measurable, it's trackable, it's traceable, it's defensible and that way we're all working towards the same goal.

John Marchica:

Eric, Eric Levin, it's been great. We've talked about everything from entrepreneurship to disrupting industries, to the insane world of pharmacy benefits. So if folks want to find you, how do they find your company and how do they find you?

Eric Levin:

Yeah, sure. I mean, I'm on LinkedIn like everyone else in the world. So feel free to reach out Eric Levin at Scripta Insights and it's scriptainsights.com is our website and that's as good a place as any to start. And we're happy to help anyone answer any questions. We do a lot of free work upfront for people. So there's very little obligation until we all agree that there's money on the table that you want to save and we love meeting new people. So please do reach out.

John Marchica:

Great. And I want to say something to kind of wrap things up for our listeners. We're not in the infomercial business, so it's not like we're here to plug Eric's business and he knows that. What we do try to find is... The aim of Health Care Rounds is to find people who are aligned with the quadruple aim, right? So it's saving money, it's improving the health of populations, it's improving care, it's improving the joy of work.

And so we try to find people whether it's the chief population officer for a major health system, or it's an entrepreneur like Eric Levin here, who's come up with a unique way of making healthcare better and more affordable. So I hope you enjoyed today's conversation, I certainly did. And if you're interested in finding out more about Eric, you can find him on LinkedIn or at his website. So, Eric, thanks again.

Eric Levin:

Thank you.

John Marchica:

I appreciate your time and I look forward to us staying in touch.

Eric Levin:

Absolutely. Thank you.

Kim Asciutto:

From all of us at Darwin Research Group, thanks for listening. Health Care Rounds is produced by me, Kim Asciutto, and is engineered by Andrew Rojek. Theme music by John Marchica. Darwin Research Group provides advanced market intelligence and in-depth customer insights to healthcare executives. Our strategic focus is on healthcare delivery systems and the global shift for value based care. Find us at darwinresearch.com. See you next round!

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