Responding to large increases in use and spend associated with compounded medications, Catamaran Corp. was one of several PBMs that took immediate steps last year to address this largely unregulated pharmacy practice by implementing prior authorization criteria and other restrictions on select products. Now taking that effort one step further, Catamaran has teamed up with United Compounding Management (UCM) to roll out what it’s calling the industry’s first-ever compound credentialing program and put some “discipline into a growing segment of pharmacy practice,” Catamaran Senior Vice President, Industry Relations & Supply Chain Management, Albert Thigpen, R.Ph., tells DBN.

After witnessing a five-fold increase in annual spending on compounded medications across its commercial book of business from 2012 to 2013, Catamaran launched the Safe & Effective Compound Reassurance Effort (SECURE), which featured prior authorization for select agents that are available in a commercially manufactured product, the exclusion of certain items such as “compound kits” and select bulk chemicals, and dollar thresholds (DBN 6/27/14, p. 4). Catamaran says that program achieved a 27% reduction in compound spend across its book of business in one quarter.

In an effort to further refine its management of pharmacy compounding, Catamaran is in the process of rolling out the Network Compound Credentialing Program. Evaluating and monitoring pharmacies was “always a part of the entire SECURE program,” explains Thigpen, but the company wanted to “put the right processes in place to ensure high quality and integrity” in the delivery of compounds.

Thigpen tells DBN that UCM is a “very, very strategic partner” that enabled Catamaran to “build a pretty quick solution to organizing the pharmacy side of compounds in relatively short order.” UCM launched in July 2014 with the goal of putting together a highly credentialed network of compounders (DBN 7/11/14, p. 7), in addition to offering a pharmacy claims processing logic to ensure that claims meet certain predetermined standards (DBN 12/5/14, p. 1). Catamaran is its first go-live client, but UCM says it “continues to receive significant interest from compounding pharmacies, PBMs, health plans and employers” interested in working with UCM this year.

Catamaran began notifying potentially qualifying pharmacies of the new credentialing process in late November 2014, with a target “kickoff” date of April 1, 2015. In order to be considered for network participation, pharmacies must first meet standards of the Pharmacy Compounding Accreditation Board (PCAB), which is a division of the Accreditation Commission for Health Care (ACHC). That PCAB accreditation is “the overarching first level filter,” says Thigpen, but there are “several other criteria underneath that.” These include but are not limited to a continuous quality improvement process (inclusive of validation testing for stability and sterility), an ethics management compliance review (including Anti-Kickback and Stark law compliance) and an onsite credentialing review.

Process Could Trim Compounding Network
Once the credentialing process is completed, it will result in a “much smaller group” of pharmacies than those that are typically submitting compound prescription claims to Catamaran and other PBMs in the marketplace today. But Thigpen says he doesn’t view it as a limited network in the traditional sense. “We are not designing the network to preclude regular retail pharmacies like Walgreens or CVS from mixing two available products,” he clarifies. “What we’re trying to curtail here is the compounded pharmacies that are mixing multiple ingredients together (e.g., large creams, ointments, pain medications), those that have significant active product ingredients, significant API-like product ingredients and high billing and the high potential for costs to expand rapidly.”

Thigpen explains that credentialing compound pharmacies is similar to what Catamaran did with its specialty pharmacies in early 2014 when it was building its own specialty pharmacy, BriovaRx. At the time, Catamaran asked outside specialty pharmacies that were filling prescriptions on behalf of Catamaran customers to complete a pharmacy credentialing form and provide several acceptable reference documents (DBN 7/11/14, p. 8).

“All we wanted to do was hold those pharmacies to the same standard that Briova is administering, and that is where we put some new criteria in place,” he says. “We can’t continue to create a very good service offering that is cost effective but is also high quality unless we put standards and discipline in the marketplace. And that’s what we did with specialty and now we’ve moved on to compounds in the marketplace. It’s not necessarily rocket science; all it is is ensuring some discipline and standards around how you want to conduct the practice of pharmacy, and quite frankly, how we’re going to govern the payment of those pharmaceuticals to the payers that we serve.”

Program Includes Claims ‘Pre-Review’

In addition to identifying high-quality providers, the new solution will also deliver consistency in pricing. Thigpen explains that since costs for active ingredients like lidocaine or ketamine that typically appear in high-cost compounds tend to vary from pharmacy to pharmacy, as do the prices of solvents and other agents that go into the compounds, Catamaran and UCM have co-determined pricing algorithms and other criteria that will allow for quick acceptance or rejection of a claim based on UCM’s “pre-review” of claims. And Thigpen says the companies will continue to refine those criteria.

Josh Golden, practice leader, employer consulting at Pharmaceutical Strategies Group LLC, says this type of credentialing is “long overdue” and that most of his clients “assumed their PBM was already doing something like this” as part of their network management.

“Many plan sponsors are now doing a decent job of managing compound usage through claim-level edits and exclusions,” he observes. “For those clients, credentialing may provide some incremental value, but this initiative is really of greater value to clients that have been unable or unwilling to adopt those claim-level controls.”

In what many have said is the industry’s most aggressive action to rein in spending on compounds, Express Scripts Holding Co. last year began blocking coverage for more than 1,000 bulk powders whose prices have been greatly inflated but that provide no additional clinical benefit (DBN 7/11/14, p. 1). Spokesperson David Whitrap adds that the company will “continue to evaluate pharmacies in the network” and has “re-credentialed many of them.”