Predictive Acquisition Cost (PAC)

Closely aligned to a drug's acquisition cost

Predictive Acquisition Cost (PAC) utilizes the power of predictive analytics to provide insight into a drug's true acquisition cost.

PAC employs a multi-tiered predictive analytics model to estimate acquisition cost by considering a variety of factors such as: MAC benchmarks, published price lists, existing price benchmarks, drug dispensing, behavioral metrics, supply and demand and survey-based acquisition costs.

The PAC pricing solution establishes a pricing range to help stakeholders determine the performance of pricing contracts, control cost, solve pricing challenges and manage reimbursement rates; leading to fair and balanced pricing, improved negotiations, cost savings and enhanced industry relationships.

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Key features

PAC successfully meets criteria defined by the pharmacy industry to be considered an optimal drug price benchmark through five important features:

- **Transparency** – PAC maintains a genuine relationship to actual acquisition cost utilizing factors to drive PAC output in a clearly defined and described methodology providing confidence and insight into fair reimbursements.
- **Accessibility** – Designed to deliver results to all stakeholders across the drug supply chain. Rest assured, PAC leads the industry as a trusted resource.
- **Comprehensiveness** – Covers brand and generic drugs, including single-source generics as well as new drugs for which survey-based acquisition cost may not have been collected ensuring data is available with no lag-time.
- **Timeliness** – For a given drug, PAC adjusts as soon as any of the model inputs indicate movement and are reflected in Elsevier's database daily ensuring that drug pricing data is available and up-to-date when you need it.
- **Immune to Manipulation** – The PAC data is not prone to manipulation. The model is retrained regularly to ensure it accurately captures changes and includes new data inputs as soon as they are available. PAC also maintains a robust monitoring system to detect any unusual activity with its model inputs and outputs.

Key advantages

The PAC methodology helps stakeholders operate in a complex environment by offering turn-key solutions for solving common drug pricing analytics problems. Stakeholders benefit from PAC's key advantages in the following manner.

- PAC estimates drug acquisition costs in a transparent and defensible manner.
- PAC aligns closely with a drug's true acquisition cost.
- PAC establishes a pricing range to determine the performance of pricing contracts, to control cost and pricing challenges and to guide reimbursement rates.
- PAC quickly identifies reimbursement outliers that warrant price adjustments.
- PAC improves network satisfaction and reduces reimbursement appeals.

Delivering value across the pharmaceutical industry

Remaining competitive in the pharmaceutical industry can be a challenge. As a result, pharmacy stakeholders need access to tools that illuminate drug pricing trends to keep a pulse on market conditions. PAC supports core pricing activities throughout the pharmacy supply chain.

Predictive Acquisition Cost (PAC)

Retail Pharmacy

Retail pharmacies are often constrained by a lack of transparency in drug costs and reimbursements – hampering efforts to manage reimbursements, control costs and operate efficiently. Proven PAC strategies for retail pharmacy include:

- **Loss File Analysis** – PAC provides insight into situations where a pharmacy has lost money on a dispensed drug, determining if the issue is reimbursement or procurement related, allowing retailers to evaluate with confidence and act accordingly.

- **Wholesaler Contract Performance** – PAC can help evaluate the performance of contracts, ensuring price consistency and improving negotiations.

- **PBM Grading and Generic Effective Rate (GER) Predictability** – PAC provides a stable and predictable method to interpret PBM reimbursement performance, providing comparisons of AWP-based GER, PAC-based GER and PAC markup index.

- **Usual & Customary (U&C) Cash Price Setting** – PAC provides a more stable starting point to help retailers determine appropriate cash pricing while considering price competitiveness, elasticity, profitability and sustained insured revenue.

Payers & PBMs

Health Plans/payers and PBMs are facing more stringent expectations to justify their reimbursement to pharmacies and better understand performance through both spread and pass-through relationships. Payers and PBMS utilize PAC in the following ways:

- **Maximum Allowable Cost (MAC) Optimization** – Payers and PBMs utilize PAC as a comprehensive tool to optimize MAC lists and:
  - Meet State Regulatory requirements for MAC transparency
  - Identify drug groups where MAC pricing is outside an acceptable range
  - Support robust drug price analysis and reduced drug spend
  - Improve network satisfaction and reduce MAC appeals

- **PBM Performance and Generic Effective Rate (GER) Predictability** – PAC provides a stable and predictable method to interpret PBM reimbursement performance, providing comparisons of AWP-based GER, PAC-based GER and PAC markup index.

Drug Manufacturers

Drug manufacturers must leverage drug pricing information to effectively price products against generic competition, understand price elasticity and take advantage of market opportunities. Drug manufacturers utilize PAC in the following ways.

- **Market Analysis and Forecasting** – PAC provides a market view of drug pricing after sale to wholesaler or pharmacy, helping to forecast pricing as well as better understand pricing elasticity.

- **Pricing Research** – PAC provides insights into pricing across generic drug categories, including more than seven years of historical data.
- **Price Index** – PAC can serve as an independent reference point to effectively index price across a group of drugs, making it easier for two parties to agree on contractual pricing and how to handle future price movement.

Drug Wholesalers

Ongoing generic deflation, the slowdown of drug manufacturers list prices and increased scrutiny of drug intermediaries are some to the trends facing drug wholesalers today. Wholesalers utilize PAC in the following ways.

- **Pharmacy Pricing Support** – PAC helps defend pricing against challenges and serves as a proxy for actual acquisition cost. Provides an alternative to submitting invoices for downstream pharmacies.
- **Sourcing Guides** – PAC provides market ranges for a drugs price, making it easier to identify outliers in pricing when sourcing drug products.

Learn more:

Elsevier.com/pac

PAC pricing module is developed and maintained by Glass Box Analytics.
Elsevier is the exclusive publisher and distributor of PAC.

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