

## Savings Where No One Dares to Look ... Prescription Drug Benefits

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Employee benefit plans are a critical component of a company's ability to attract and hold talent. This sacred task often puts price negotiation with service providers in the hands of outside HR consultants and internal Human Resource specialists. While these people have good intentions, they are often ill equipped to work the cost AND service angle. All Drug plan administrators have plans to help companies control drug USAGE but they rarely address the sourced COSTS of the medications, outside of generic substitution efforts.

Paladin Associates found ourselves working with a client where this paradigm was in full effect. Paladin has access to a buying group for Rx Drug Benefit Programs that could take our clients 2000+ insured lives and add them to the consortium's 400,000+ insured lives thereby reducing costs significantly for our client. A combination of lower sourced price and larger share of manufacturers' rebates comprised this savings opportunity.

Armed with hard dollar savings projections based on actual medication usage by the client's employees, we approached the client's incumbent benefit service provider. Sensing their competitive disadvantage, the incumbent supplier agreed to an immediate 9.5% reduction for the remaining year of a three year contract, and similar savings for a new contract going forward. This translates to a savings of about \$225,000 per year!

This proves that even in those semi-sacred service bastions that are not traditional categories for Sourcing activities, a different process and the right sourcing approach will produce cost reduction benefits for your company!

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