

# State employer of 40k lives reduces PBM costs up to \$40MM through reverse auction

CLIENT

U.S. State

INDUSTRY

Government

## CHALLENGE

The State Employee Plan wanted to choose a new PBM but lacked a way to compare bidders objectively.

## APPROACH

Milliman introduced a reverse auction RFP strategy using Milliman SkySail. This approach fostered competition and transparency among vendors. This method was optimized for the State's specific needs and backed by newly passed state laws. Milliman procured top-tier offers and set up a robust ongoing monitoring system in collaboration with the State and their benefit consultant.

After the new PBM was chosen, they were required to set up a continuous data feed with SkySail, enabling the State to monitor contract performance in real time. This mechanism involved twice monthly invoice reviews, rebate payment validation, and financial contract reconciliation. Annual market checks were instituted to maintain a competitive edge, ensuring that the State always got the best deal.

## IMPACT

The reverse auction resulted in savings estimated to range from \$20 million to \$40 million. SkySail helped highlight the incorrect categorization of 340B pharmacies, prompting the State to clarify contract language. It also highlighted unclear definitions of brand and generic drugs, inclusions, exclusions, and rates.

Additionally, the State noted a consistent annual rebate increase and recognized the opportunity to enhance the contract before completion. In CY22, Milliman identified a \$2 million shortfall. In CY23, Milliman helped negotiate an improvement of \$2.4 million.



Millions in ongoing savings

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