

2020

DISCOVERY HEALTH

PHARMACY NETWORK GUIDE

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Overview

The medical scheme's challenge

Rising healthcare costs place severe pressure on healthcare systems and governments globally. In South Africa, medical schemes rely on the surpluses generated by healthy scheme members to fund the cost of treatment for unhealthy scheme members. These cross-subsidies have to be managed and balanced carefully to ensure all medical scheme members enjoy cover when they need it most, while ensuring that medical scheme contributions remain affordable.

The current medical scheme regulatory environment is based on open enrolment and community rating, which means that medical schemes must accept all applicants regardless of age and health status. South Africa is unique in that medical scheme membership is voluntary, resulting in adverse selection where people join a medical scheme when they believe they will need it, or they join lower-cost options and 'buy up' to more comprehensive options when they get sick.

Medicine inflation together with demographic trends, such as an ageing insured population and a rapidly increasing chronic, cancer and lifestyle disease burden, drive increased demand for healthcare services. For Discovery Health, as an administrator of medical schemes, managing these cost drivers is vitally important to maintain the balance between quality, access and affordability of healthcare and requires rigorous efforts and collaboration between all stakeholders.

With this in mind, we continually develop initiatives to manage medicine cost to ensure it remains affordable for our members and the Scheme, and to ensure the sustainability of the healthcare industry. Performance Based Remuneration and MedXpress Networks are two such initiatives.

About some of the terms we use in this document

There may be some terms we refer to in the document that you may not be familiar with. Here are the meanings of these terms.

TERMINOLOGY	DESCRIPTION
Chronic Illness Benefit (CIB) claim	The Chronic Illness Benefit (CIB) covers members for a defined list of chronic conditions. We cover claims for treatment, including medicine, for conditions on the Chronic Disease List (CDL) according to the Prescribed Minimum Benefit (PMB) treatment algorithms for all plans. It excludes claims paid from other benefit limits, such as oncology, although these conditions form part of chronic illnesses.
Formulary (medicine list)	A list of medicines we cover in full in accordance with the Council for Medical Schemes Prescribed Minimum Benefit (PMB) treatment guidelines, for the treatment of approved chronic condition(s). This list is also known as a formulary. The formularies differ between the different Discovery Health Medical Scheme plans: Comprehensive formulary for Executive and Comprehensive plans Core formulary for Core, Priority and Saver plans KeyCare chronic formulary for KeyCare plans only.
Chronic formulary compliance	A pharmacy's performance is measured as a percentage of formulary items dispensed out of all generically substitutable claims paid from chronic benefits. We measure and report performance monthly by looking back at chronic claims paid over the past rolling 6 months period.
Generic equivalent	Medicine that is registered with the South African Health Products Regulatory Authority based on bioequivalence, safety, efficacy and quality. Generic equivalents contain the same active ingredient, with the same strength and the same formulation as the original brand product. The recommendation to use best-priced generics is a safe, and affordable recommendation aimed to assist consumers.
Performance Based Remuneration (PBR)	A voluntarily programme designed to provide additional remuneration to pharmacists for adhering to the Discovery Health Medical Scheme formularies. PBR only applies to claims paid from the Chronic Illness Benefit.
PBR Benchmark	The unit price published in PBR formulary and benchmark document, to which the single exit price (SEP) of all generic equivalent items on the formulary are compared. Generic equivalents are required to be lower or equal to the PBR benchmark unit price. The latest list is available on our website at www.discovery.co.za .

TERMINOLOGY	DESCRIPTION
PBR Chronic Illness Benefit claims	Claims paid from the Chronic Illness Benefit where the treatment (medicine) has been pre-authorised according to the Prescribed Minimum Benefit (PMB) treatment guidelines for conditions on the Chronic Disease List (CDL) taking into consideration PBR exclusions. PBR exclusions are claims paid from: KeyCare and Delta plans Benefit pools other than those for chronic medicine claims, such as oncology, HIV and acute benefits Non-SEP (single exit price) claims: surgical unregistered and schedule 0 items Courier pharmacies
HIV formulary compliance	The percentage of ARV formulary items and ARV benchmark items that were dispensed out of all generically substitutable ARV claims paid from HIV benefits. We measure and report performance monthly by looking back at ARV claims paid over the past rolling 6 months period.
Oncology preferred product list compliance	The percentage of oncology-support preferred products and their benchmark items that were dispensed out of all generically substitutable claims paid from oncology benefits for members of Discovery Health Medical Scheme. We measure and report performance monthly by looking back at oncology claims paid over the past rolling 6 months period.

Designated service provider (DSP) pharmacy networks

The Medical Schemes Act governs our professional practice and allows for the use of designated service providers (DSPs) to ensure that quality healthcare is accessible and affordable for members of medical schemes in South Africa

Members have a choice in how they want to receive their medicine

Discovery MedXpress has two available options for members to obtain their chronic medicine:

Discovery MedXpress order and delivery service

Discovery MedXpress is a convenient, online ordering, tracking and delivery service available to all Discovery Health Medical Scheme members with a valid prescription. Through Discovery MedXpress, members can re-order chronic medicine through several self-service methods including the Discovery website or app, or via SMS.

Discovery MedXpress is administered by Discovery Health and services a small subset of the total chronic member base. Discovery MedXpress routes orders to a MedXpress partner pharmacy. These independently owned, registered pharmacies, assume all the clinical responsibility in dispensing and handling the prescriptions.

The MedXpress call centre, a cost centre operated and managed by Discovery Health (Pty) Ltd, facilitates order requests from members through to participating MedXpress partner pharmacies. Members can also choose to pick up a ready-to-collect parcel at a MedXpress Network Pharmacy, or have a medicine order delivered to them anywhere in South Africa at no cost to them. MedXpress partner pharmacies are required to meet all professional and legal requirements as well as meet the formulary compliance benchmarks and targets.

MedXpress Network Pharmacies

To afford retail and community pharmacies equal opportunities, we created the MedXpress pharmacy network.

MedXpress network pharmacies are the designated service provider (DSP) for all approved, chronic medicine for Discovery Health Medical Scheme members on Delta, Priority, Saver and Core plans. This means that members on one of these plans must use a MedXpress Network Pharmacy, in order to avoid a 20% co-payment on their approved, chronic medicine. Pharmacies can participate in the network by reaching MedXpress formulary compliance criteria.

This means that the pharmacy will not attract a 20% non-DSP co-payment on chronic medicines for members that use MedXpress as their designated service provider. Only contracted Discovery Health network pharmacies, charging the agreed Discovery Health tariffs and who meet the MedXpress formulary compliance criteria, are eligible to participate in the MedXpress pharmacy network. Pharmacy contracts that charge rates over and above the agreed Discovery Health Rate will be terminated.

How members benefit from using DSP pharmacy networks

MedXpress benefits members by reducing co-payments and benefits the Scheme through additional savings afforded by a high generic substitution rate. If a Discovery Health Medical Scheme member chooses to use a pharmacy outside of the:

- MedXpress pharmacy network, they may be liable for a 20% co-payment on their chronic medicine.
 - HIV DSP pharmacy network, they may be liable for a 20% co-payment on their non formulary ARV medicine.
- The levying of such a co-payment in these circumstances is set out in Regulation 8(2) issued in terms of the Medical Schemes Act.

Discovery MedXpress and MedXpress network pharmacies will remain the DSPs for Core, Priority, Saver and Delta plans in 2020.

Requirements for participation in DSP pharmacy networks

MedXpress pharmacy network

Participation in the MedXpress pharmacy network is open to all contracted network pharmacies that meet the participation criteria. The participation criteria are based on pharmacies' compliance with Discovery Health Medical Scheme's formulary. We monitor and report back monthly to pharmacies on formulary compliance. We review pharmacies' performance on a four monthly basis for inclusion in the network.

To be eligible for inclusion in the MedXpress DSP pharmacy network, we require compliance with the Discovery Health Chronic Illness Benefit (CIB) formulary and oncology preferred product list. The formulary adheres to legal requirements as set out in the Prescribed Minimum Benefit (PMB) legislation and treatment algorithms for specific conditions on the Chronic Disease List (CDL).

MedXpress pharmacy network participation criteria remains the same for 2020

2020 criteria
Chronic Illness Benefit: we require a minimum compliance to the chronic medicine formulary <i>over a rolling a six month</i> period of: Performance Based Remuneration (PBR) compliance of $\geq 52\%$, OR PBR substitutable compliance of $\geq 80\%$
AND Chronic substitutable formulary compliance of $\geq 82\%$ (<i>measuring HIV and oncology separately</i>).
Oncology Benefit: In addition to the above, we also require: Oncology preferred product list compliance of $\geq 95\%$

HIV antiretroviral designated service provider (DSP) network

Discovery Health network pharmacies are eligible to participate in the HIV ARV network as long as they meet the criteria of 95% ARV formulary compliance. From 1 January 2020, any contracted, qualifying pharmacies will automatically be included in the HIV ARV DSP network when meeting or exceeding HIV ARV DSP formulary compliance criteria.

This means that the pharmacy will not attract a 20% non-DSP co-payment on non-formulary ARV medicines for members on plans where the HIV ARV DSP network is the designated service provider. Pharmacies without a signed standard network rate contract with us cannot participate in the HIV ARV DSP network.

From 1 January 2020, the HIV ARV network will be the designated service provider for all Discovery Health Medical Scheme plans except KeyCare Start, as well as the following additional schemes administered by Discovery Health:

- LA Health KeyPlus
- Quantum
- TFG Medical Aid Scheme MMED Option of Naspers Medical Fund
- Tsogo Sun Group Medical Scheme
- University of KwaZulu-Natal Medical Scheme

Please refer to the definitions table on page 2 for a better understanding of how we measure ARV formulary compliance. These definitions are also included in your monthly report.

How we support you in reaching formulary compliance

- We measure your formulary compliance and claims volumes monthly and send this report to the email address that we have on system for the practice. It is therefore important to ensure we have up-to-date email addresses. If your email address has changed, please send your new contact details along with your BHF number and pharmacy name to provider_administration@discovery.co.za
- We arrange with numerous software vendors to flag formulary items for easy identification on pharmacy screens while dispensing. Please request your software vendor to activate this functionality if you do not already use it.
- We publish the latest updated Discovery Health formulary (inclusive of chronic, oncology and HIV items) on our website at www.discovery.co.za to assist you with stock management and ordering.
-

Creating a stable pharmacy network

It is important for us to ensure the stability of the MedXpress pharmacy network as well as the HIV ARV DSP network so that our members can avoid out-of-network co-payments on their medicines.

If your pharmacy has less than 30 oncology claims per month (or 180 claims over a rolling 6-month period), the oncology preferred medicine list compliance rate will not be taken into consideration and you will not be impacted by the small claims volume.

Our DSP network review process

MedXpress network pharmacies and HIV DSP Pharmacies are reviewed for inclusion and ongoing participation in the network on a 4 monthly basis.

- **Inclusion:** Once a practice meets the participation criteria, the practice is automatically enrolled in the network for the next 4 months. The practice will need to maintain formulary compliance to remain in the network. The practice will receive notice of inclusion in the monthly compliance report.
- **Termination:** Participating pharmacies that do not meet the criteria during review, as measured over the previous 6-month period, will be removed from the network for the next 4-month cycle. The practice will receive notice of termination via email. The pharmacy will then attract a 20% non-DSP co-payment until the entry criteria can be met during future reviews. Members will also be informed that the pharmacy is no longer a participating network pharmacy.

Performance Based Remuneration (PBR)

Performance Based Remuneration (PBR) is a voluntarily financial programme designed to provide additional remuneration to pharmacists for adhering to the Scheme's chronic formulary.

In general, the PBR model aims to create additional funding for pharmacies through increased prescription price efficiency by using:

- Reduced remuneration for non-formulary items dispensed items
- Increased remuneration for formulary items dispensed
- Inclusion of a broader set of products per medicine class to the model (all chronic pre-approved claims, including substitutable and non-substitutable items), allows for a more affordable cross-funding mechanism.

What is the objective of Performance Based Remuneration (PBR)?

This model, currently offered only by Discovery Health Medical Scheme, will ensure an increase in revenue for pharmacists, lower out-of-pocket expenses for medical scheme members, and the ongoing sustainability of the Scheme.

How does PBR it work?

The PBR model allows for a variable dispensing fee to be retrospectively applied once the PBR threshold has been reached. This comprises:

- A higher dispensing fee applied to claim lines that qualify according to the formulary and benchmark pricing
- Lower dispensing fees applied where claim lines do not adhere to the formulary

PBR compliance is measured and communicated to pharmacies on a monthly basis. The pharmacy is protected by a threshold which acts as a safety net and ensures that the pharmacy will never earn a lower dispensing fees than prior to joining the network be worse off.

Which claims are excluded from PBR?

- Claims listed below do not qualify for PBR and continue to be paid at the appropriate chosen standard network rates. These comprise Claims for KeyCare plans and Delta options
- Non-SEP items including unregistered medicine, schedule 0 medicines and surgical consumable items
- Claims paid from benefits other than pre-approved medicine paid from the Chronic Illness Benefit such as HIV, oncology and acute benefits
- Claims submitted by pharmacies without a signed Discovery Health standard DSP network agreement and courier pharmacies.
-

Compliance measures for Performance Based Remuneration (PBR)

- PBR compliance means the pharmacy's performance measured as a percentage of PBR formulary and benchmark items dispensed out of all chronic medicine claims paid for the report period, taking into consideration the PBR exclusion rules
- PBR substitutable formulary compliance percentage means the pharmacy's performance measured as a percentage of PBR formulary and benchmark items, dispensed out of generically substitutable formulary medicine claims paid from chronic benefits over the report period, taking into consideration the PBR exclusion rules
- Means all generic equivalents of listed formulary items which fall within the same price bands as formulary products. These items are flagged along with formulary items for easy identification on dispensing screens. These items fall within the benchmark unit price is as published in the latest PBR formulary and benchmark document, which is available on the Discovery website at <https://www.discovery.co.za/portal/individual/propbm-communicues>

What are the Discovery Health standard DSP network fees?

Independent pharmacies have a choice to participate in one of two Discovery Health standard DSP networks attracting the specified standard dispensing fees for all medicines (whether paid from chronic or acute benefit payment pools).

Community network	36.32% capped at R59.92 (15% VAT incl.)
OR	
Corporate network rate	31.05% capped R31.05 (15% VAT incl.)

To be eligible for the PBR network, pharmacies need to participate as a contracted DH standard DSP network pharmacy in one of the above Discovery Health pharmacy networks. PBR does not apply to courier pharmacies while corporate hospital pharmacies need co-contract on corporate rates to be eligible for PBR.

What are the PBR variable dispensing fees for?

Independent pharmacies:

- 46.40% capped at R98.85 with a minimum of R7.15 (15% VAT incl. when adhering to the PBR formulary and benchmark unit price
 - A lower dispensing fee of 30.26% capped at R45.39 (15% VAT inclusive) when not adhering to the PBR formulary.
- Corporate and corporately owned hospital pharmacies:

- A higher dispensing fee of higher dispensing fee of 45.39% capped at R50.44 (15% VAT incl.) when adhering to the PBR formulary and benchmark unit price
- A lower dispensing fee of 26.23% capped at R26.23 (15% VAT incl.) when not adhering to the PBR formulary

What is the PBR threshold?

- The threshold is the point where the standard network dispensing fee is replaced by the variable PBR dispensing fee. Once a pharmacy is enrolled and reaches the threshold after any given month, the PBR variable dispensing fee will be applied from the next calendar month. Payment is calculated by the quarterly PBR line level payment report.
- Pharmacies need to keep their PBR compliance above the PBR threshold to continue to qualify for the PBR variable dispensing fee.

- In addition, your pharmacy will enrol on the HIV ARV DSP network once your pharmacy has qualified by maintaining the PBR threshold for at least a 6 month period.
- No amendments to Scheme submission codes or the standard Discovery Health network rates are required - the current rates and codes remain unchanged, as the adjustments will be applied to the a PBR line level payment report retrospectively.

The threshold for both independent and corporate pharmacies is the same at 51%. The threshold may be adjusted from time to time on an ad hoc basis or depending on future SEP pricing and formulary item inclusion.

How to enrol onto the PBR network

- PBR participation is based on a willing provider network with a termination period of one calendar month. If not already participating, your pharmacy needs to submit two signed contracts for both the following:
 - Discovery health Standard DSP network agreement
 - Performance Based Remuneration (PBR) agreement for independently owned pharmacies
- To apply, you will need to sign the latest standard DSP network agreement available at www.discovery.co.za and email it back to us at provider_administration@discovery.co.za

You can also request a copy of the agreement by emailing us at HealthPartnerInfo@discovery.co.za or call us on 0860 44 55 66. Once you have submitted a signed agreement, you will receive email confirmation of your participation in the network.

Achieving the compliance threshold

It remains the best option to keep to dispensing formulary items. Dispensing, actual formulary items will increase both PBR compliance and additional PBR dispensing fee while also increasing MedXpress DSP compliance which will ensure more feet to your store.

If you need more support to reach the compliance threshold, you can request a Top ranking item report from Provider_administration@discovery.co.za. This identifies the top ranking formulary items that improve your pharmacy's compliance as well as the top ranking substitutable non-formulary items that bring down your pharmacy's compliance. Report examples can be seen below.

Do I need to amend my pharmacy's rate setting?

No amendments to Scheme submission codes or the standard network rates as per Discovery Health standard DSP network agreement are required for PBR. The current rates and codes remain unchanged as the adjustments will be applied retrospectively per report.

- Once your pharmacy opts in for PBR, the variable PBR dispensing fee will automatically apply from the next month when your pharmacy reaches the PBR compliance threshold. Additional fees are calculated and paid retrospectively.
- The PBR threshold acts as a safety net to ensure that your pharmacy will never be financially worse off with the lower PBR variable dispensing fee. Thus, with Performance Based Remuneration, you have a chance to earn more than what you are currently earning on the standard network fee, without any risk.

How does payment of additional PBR dispensing fees work?

- Payment takes place quarterly and the cycle dates are displayed in your monthly report.
- We apply the additional PBR variable dispensing fees retrospectively to all the chronic claim lines in the PBR line level payment report that covers the 3 month report period starting one month after the pharmacy has qualified by reaching or exceeding the PBR threshold. The difference in the standard and newly applied PBR variable fee is calculated.
- If you want to verify the additional PBR dispensing fee paid on chronic claim lines, please email us at provider_administration@discovery.co.za and provide your pharmacy name and practice number to request the PBR line level payment report. The report contains all the CIB claim lines where the variable PBR dispensing fee have been re-applied as well as the settlement amount.
- The additional PBR amount due to you will be paid within the next month following the end of the previous payment cycle.
- Look out for your payments on your statement which will show as PBR additional fees – paid in a lump sum together with the rest of the moneys that may be due.

What happens if your pharmacy again falls below the PBR threshold?

If your pharmacy subsequently falls below the PBR threshold, you will no longer qualify for the PBR variable dispensing fee, nor will you receive the PBR line level payment report for payment due. Your pharmacy will revert back to the standard network dispensing fee as per your signed Discovery Health standard DSP network agreement.

How do you identify the PBR formulary and benchmark items when dispensing?

Discovery Health has worked with the pharmacy system vendors to highlight the PBR formulary and benchmark items on pharmacy screens so that these items are easily identifiable at the time of dispensing. All you need to do is to, once enrolled, send a copy of the signed PBR contract to your vendor and ask him to highlight these items for you.

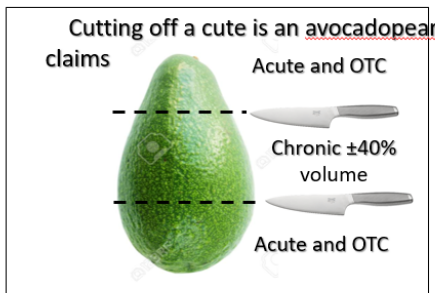
Technical questions

What is the difference in MedXpress and Performance Based Remuneration and how do we measure it?

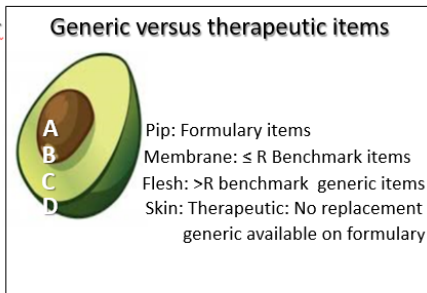
To illustrate the difference between the way we measure PBR compliance versus and MedXpress compliance, we use the Avocado Analog.

PBR financial model: If an avocado pear represents last month's PBR claims ...

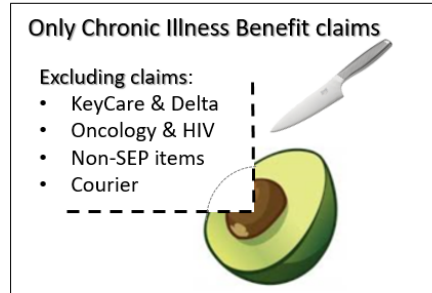
1. Last month's claims



2. PMB CDL claims & choice



3. Last month's PBR claims



4. Example

PMB CDL condition: Hypercholesterolemia

- Atorvastatin 10mg
- Benchmark R1.14 per SEP unit
- Benchmark is only applicable for chronic

Trade name	Unit price
A Adco-atorvastatin	R1.14
B Atorvastatin Unicorn	R1.12
C Lipitor	R8.71
D Crestor	Non Formulary

5. How PBR compliance is measured

Cross-subsidisation between ↑ and ↓ fees makes PBR affordable

- A - Formulary item ↑ PBR fee
- B - Benchmark item ↑ PBR fee
- C - Generic equivalents ↓ PBR fee
- D - Therapeutic equivalents ↓ PBR fee

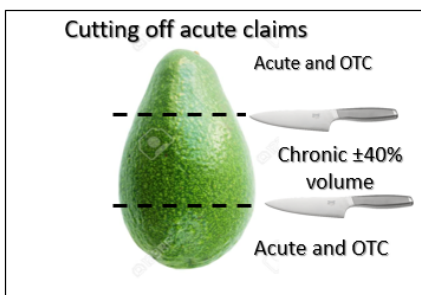
$$\% \text{ Compliance} = \frac{A+B}{A+B+C+D} \times 100\%$$

6. Threshold & dispensing fees

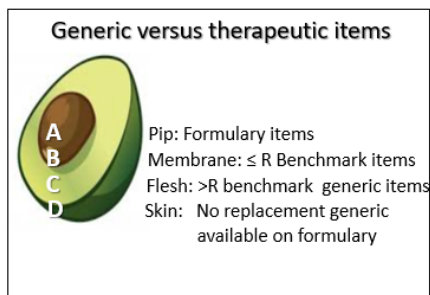
- PBR Threshold < 51%
1. Standard fee = 36.32% /R59.92
- PBR threshold = 51% break even point
Value=R0.00 PBR variable fees start here
- PBR Threshold starts at >51%
2. ↑ PBR fee = 46.40% /R98.85
3. ↓ PBR fee = 30.26% /R45.39
Pharmacy cannot lose!

DSPs and the avocado analog: If an avocado pear represents last month's DSP claims ...

1. Last month's medicine claims



2. PMB CDL claims & choice



3. Six month's applicable claims

- Looking back on past 6 months' claims
- Measure compliance on *generically substitutable* items only, (contrary to PBR)
- Measure following separately:
 - Chronic Illness benefit (Chronic claims)
 - Oncology benefit claims (support)
 - HIV ARV benefit claims



4. Example

ARV formulary

- Emtricitabine, tenofovir disoproxil and efavirenz
- No benchmark applicable to ARV formulary
 - Benchmark applies 2020 for ARVs and oncology

Trade name	Unit price
A Tenvir /Rizene	R8.18 / R7.93 /R8.18
B Benchmark 1 Jan 2020:	Atenef at R7.93
C Atripla /Trivenz, etc	R23.85 / R10.21, etc.
D Not applicable	

6. How compliance is measured

a. All PBR Claims (non-substitutable included)

1. PBR compliance

$$\% \text{ Compliance} = \frac{A+B}{A+B+C+D} \times 100\%$$

b. Only generically substitutable claims

2. Substitutable chronic compliance

$$\% \text{ Compliance} = \frac{A+B}{A+B+C} \times 100\%$$

3. HIV ARV and oncology compliance

$$\% \text{ Compliance} = \frac{A+B}{A+B+C} \times 100\%$$

5. DSP qualifying criteria

1. MedXpress DSP network compliance:

- **Chronic claims**
PBR compliance = 52%, and
Chronic compliance = 82% and
oncology support claims >180/6mths
Oncology support item compliance = 95%

2. HIV DSP network compliance

- ARV formulary compliance =95%

How does a change in chronic formulary influence PBR?

Discovery Health reviews the Chronic Disease List Medicine Formulary and Chronic Drug Amounts (CDAs) twice a year. We do this to make sure that the way we pay for medicine through the chronic benefit accurately reflects preferentially priced, accessible medicine as well as relevant new medicine in this dynamic market.

Any newly added formulary items will immediately improve the pharmacy's compliance figures from implementation date onward. However, this is not due to the pharmacy's performance, but to the change in formulary.

The opposite is also true - any formulary deletions may immediately lower the pharmacy's compliance figures. In order to moderate this impact, we monitor and measure the effect of the formulary change over the three months directly following the update. During this period, we run compliance reports against both the old and new formulary to quantify the portion of the pharmacy's increased or decreased compliance rate that is due to the change in formulary. Taking the effect into consideration, we may adjust the threshold.

How does Discovery Health currently pay from chronic benefits?

The Discovery Health formulary covers the medicine requirement for Prescribed Minimum Benefit (PMB) treatment algorithms for specific conditions on the Chronic Disease List (CDL), and is published on www.discovery.co.za.

For all plans (except KeyCare where the formulary is NAPPI specific), we pay non-formulary items (which include generic and therapeutic items that fall within the same drug class as treatment for the same condition) up to the monthly Chronic Drug Amount (CDA). Whenever the monthly CDA for the condition for the month is exceeded, your client needs to make a co-payment.

When you see 'Prescribed Minimum Benefits', you will know that it has been paid from chronic benefits.

When you see 479 'Non-formulary item. Please substitute', kindly note 'Prescribed Minimum Benefits', which means that although this is not a formulary item for the patient's specific condition, the item has been paid from chronic benefits due to a special clinical appeal authorisation.

What is the difference between a formulary item and a benchmark item?

Regardless of price increases, we continue to cover formulary items as published on the Discovery website in full when approved for an authorised chronic condition. These products are always paid in full - thus the Chronic Drug Amount does not apply to formulary items,

When the pharmacy has reached the compliance threshold, formulary items always attract the higher dispensing fee for PBR participating pharmacies regardless of price increases. Please note that the excel version of the Discovery Health PBR formulary with the benchmark pricing is published on our website at www.discovery.co.za under Communiqués.

PBR Benchmark items are not on the formulary, these are generic equivalents of formulary items that fall at or below the PBR benchmark unit price at any given time. SEP increases, however, may cause these items to fall outside the PBR benchmark unit price at which point the lower dispensing fee applies as soon as the price has been updated. Both PBR formulary and benchmark items will be highlighted on the pharmacy screen for easy identification while dispensing. The Chronic Drug Amount applies to formulary items. Thus, although the item may count as a benchmark item when dispensed, the Chronic Drug Amount may attract a copay for the member.

What happens if the price of the formulary item has increased and the unit price is now higher than the PBR benchmark unit price?

The formulary list of items is published on www.discovery.co.za. Regardless of price increases, we cover formulary items in full when authorised. When the pharmacy reaches the compliance threshold, these authorised items attract the higher dispensing fee for PBR participating pharmacies even though the SEP unit price may be higher than the PBR benchmark unit price after the increase.

What about non-formulary items, like for example rosuvastatin for hypercholesterolemia?

We pay non-formulary items (which include generic and therapeutic items that fall within the same drug class as treatment for the same condition) up to the monthly Chronic Drug Amount (CDA) depending on your client's plan type. Whenever the monthly CDA is exceeded, your client needs to make a co-payment.

Dispensing non-formulary items may influence your compliance rate negatively where:

- The molecule is on the formulary (such as atorvastatin and simvastatin), but the SEP unit price of the particular generic product exceeds the PBR benchmark unit price
- The ingredient or molecule is not on the formulary (such as rosuvastatin).

For PBR, Discovery Health does not expect the pharmacy to achieve a 100% compliance rate. We understand that certain members and also certain healthcare professionals may choose non-formulary items that do not comply and may attract the lower dispensing fee. The PBR dispensing fee is paid in addition to the existing standard network dispensing fee, while the threshold acts as safety net to ensure that your pharmacy is never worse off as a result of your clients choices.

While prescriber preferences may from time to time compromise adherence to the medicine list, this is adequately compensated for in the PBR model by lower compliance thresholds. Please note that depending on the availability of preferentially priced generics, there may not always be a generic replacement item on the PBR medicine list.

What happens if I dispense a more expensive item that exceeds the PBR benchmark unit price, but sacrifice part of the dispensing fee to fall within the PBR benchmark unit price?

Dispensing a non-formulary item and charging less so that the unit price falls within the PBR benchmark unit price will not affect your compliance positively as the compliance report is drawn on NAPPI codes and the SEP value that we have on our file.

Therapeutic replacements where there are no generic items available for substitution?

PBR is about cost-effective *generic substitution*. Once the pharmacy has reached the compliance threshold, the lower dispensing fee applies for non-formulary items. The higher dispensing fee applies only to formulary items that either are on the formulary list or falls below the PBR benchmark unit price.

However, whenever your client is not satisfied with a co-payment and the prescribed ingredient is not listed on the formulary (such as products like Crestor or Cardiac aspirin or Eltroxin), you may want to contact the doctor with the request to change the treatment. You also need to obtain a new prescription to keep within legislation.

You will receive the higher dispensing fee when you dispense a formulary item or one that falls below the PBR benchmark unit price.

It is important to note that it always has to be in the best interest of the patient and therefore it will always remain the decision of the pharmacist, patient, and treating healthcare professional whether to make a (therapeutic) substitution or not. Discovery Health will in no way interfere with this decision.

We do not expect the pharmacy to achieve a 100% compliance rate. We understand that certain patients and healthcare professionals will choose not to fully comply. It is important to understand that:

- While prescriber preferences may compromise formulary compliance from time to time, this is adequately compensated for by lower compliance thresholds
- We continue to promote access to affordable medicine and therefore affordable pricing remains a key consideration in inclusion of the CIB formulary. Depending on the **availability of preferentially priced generics**, there may not always be a generic replacement item on the formulary.

What are the principles that Discovery Health considers for substitution and formulary inclusion?

- Affordable pricing remains a key consideration in medicine benefit design. We continue to promote access to affordable medicine
- Discovery Health Medical Scheme's chronic formulary benefits are compliant with the Council for Medical Scheme's treatment algorithms for CDL PMB's
- Medicines registered with the Medicine Control Council (MCC) are treated as compliant with registration requirements of safety, efficacy and quality until deemed otherwise by the MCC
- Items not suitable for generic substitution will be strictly aligned with guidance from the MCC as applicable to all in South Africa
- Clinical guidance from external independent clinical consultants will be considered in conjunction with prevailing regulations and legislation pertaining to medicines in SA.

What if I offer generic replacement items, however, the patient or doctor does not agree to generic replacement?

You need to dispense the item on the prescription as per the patient or doctor's decision and you will be paid the lower fee. You always have to adhere to legislation. While prescriber preferences may compromise formulary compliance from time to time, this is adequately compensated for by lower compliance thresholds. We do not expect 100% PBR compliance.

Why do certain items not attract a co-payment for the patient, yet it attracts the lower dispensing fee?

We pay up to the overarching monthly Chronic Drug Amount (CDA) for non-formulary medicines, for each medicine class, for a particular condition, each month. E.g. we cover a few atorvastatin and simvastatin products on the formulary and as long as the product(s) for hypercholesterolemia (even rosuvastatin) fall within the CDA, your client will have no co-payment. The patient needs to pay the balance when the monthly amount for hypercholesterolemia is exceeded.

The CDA has however no bearing on the PBR benchmark unit price (unit price), which determines whether or not the pharmacy will earn the:

- Lower dispensing fee (E.g. when a non-formulary item is dispensed (like rosuvastatin) or the SEP unit price of the dispensed atorvastatin item 20mg exceeds the PBR benchmark unit price of atorvastatin 20mg for the plan (E.g. R1.14c per unit for both Core formulary and Comprehensive formulary).
- Higher dispensing fee for an atorvastatin 20mg item on the formulary (e.g. Adco atorvastatin 20mg, Aspavor 20mg, Atorvastatin Unicorn 20mg and Lestavor 20mg) OR for any other product where the SEP unit price of the dispensed atorvastatin item falls within the PBR benchmark unit price of R1.14c for both the particular plan.

What happens when formulary items are dispensed, however it has not been authorised for funding from the Chronic Illness Benefit?

PBR only applies to medicine where the treatment has been pre-authorised and payment has been made from the chronic benefit

Prescribed Minimum Benefit (PMB) regulations allow for the use of formularies for specific PMB conditions on the Chronic Disease List (CDL) according to the PMB algorithms. This means that treatment is approved for funding on the Chronic Illness Benefit according to:

- Medical Scheme plan type (The formulary for Core plans versus Executive plans differs.)
- Condition as per CDL
- Formulary item
- Only when the medical scheme member qualifies according to certain clinical entry criteria.

Claims paid from other benefits such as, but not limited to, oncology, HIV, and acute benefits, fall outside PBR. These claims will continue to be paid according to the chosen network dispensing fees.

You also need to keep in mind that an item that forms part of a treatment guideline for a particular condition (such as bisoprolol for congestive heart failure), may not form part of the treatment guidelines of another condition (such as bisoprolol for hypertension) in which case it may not be authorised for a patient for hypertension.

- When an item has not been clinically authorised for a particular patient with a particular condition, the item is funded from the day-to-day benefits (Medical Savings Account) and the standard network dispensing fee is paid, even if the item is on the formulary for that condition or for a different condition.
- When an item has been clinically pre-authorised for a particular patient with a particular condition, the item is funded from chronic and the claim qualifies for PBR dispensing fees even though it may have been authorised for a different condition. (E.g. bisoprolol authorised for some patients for hypertension on a clinical appeal authorisation where it is normally only authorised for congestive heart failure).

PBR only applies to claims of pre-approved chronic medicine paid from the Chronic Illness Benefit. You also need to keep in mind that there are various types of authorisations. Where we may have granted a patient a 'special authorisation', we pay from the Chronic Illness Benefit up to the monthly CDA and the patient will be liable for a co-payment when exceeding the CDA.

The higher dispensing fee applies to authorised chronic medicine claims, if the SEP unit price of the dispensed item is lower or equal to the PBR benchmark unit price for the particular active ingredient. For instance, bisoprolol is on the formulary for cardiac failure in which case, when authorised, the patient will have a 'chronic authorisation'. Where

bisoprolol has been authorised for hypertension as a 'special authorisation', it will pay from the Chronic Illness Benefit up to the CDA and the patient will be liable for a co-payment when exceeding the CDA. The higher dispensing fee applies when the SEP unit price of the dispensed item falls within the bisoprolol PBR benchmark unit price. Please note in these 'special authorisation' cases, the system responds with reason code 479: 'Non-formulary item. Please substitute'. This happens because the authorisation has not, in this particular case, followed normal protocols.

Patients sometimes have been granted a 'special appeal authorisation' that is NAPPI code specific. Medical Scheme Members with a 'special appeal authorisation' will not automatically have access to a generic substitution unless Discovery Health changes the appeal to a standard authorisation. Pharmacies need to call the Add-A-Line at 0860 44 55 66 for the change in authorisation.

What happens if I do not receive PBR compliance or payment reports?

Ensure that your pharmacy participates in the PBR network and that Discovery Health is in possession of a signed PBR contract.

Call 0860 44 55 66 or send an email to provider_administration@discovery.co.za and ask to check your pharmacy's dispensing email address on the system. You will be responsible to ensure that the dispensing email address on our system remains updated. You can also ask the call centre to request your compliance figures.

How do I know I have been paid accordingly?

You will find your PBR payment in your statement. It will be flagged as 'PBR independent'. The PBR payment amount will be included and the total claims amount will appear in your bank account as a single payment.

What happens when there are out of stock items?

When an item is out of stock:

- Report out of stock items by sending an email to CIBAPPFORMS@discovery.co.za or call 0860 44 55 66. Alerting us will assist us to follow up with the company.
- Please substitute with alternative PBR formulary or benchmark items as due to over-coding, most items do not need re-authorisation.
- Where necessary, please obtain authorisation for alternative items:
 - By following the normal application process by sending an email to CIBAPPFORMS@discovery.co.za
 - Where urgent and the client is waiting at the dispensary, obtain telephonic authorisation for a replacement item by calling Add-a-Line on 0860 44 55 66

Depending on the availability of preferentially priced generics, there may not always be a new generic replacement item added to the formulary.

Contact us

Please send your enquiries to the correct email address listed below. We keep all past Communiques on our website at www.discovery.co.za.

Real-time medicine claims queries <ul style="list-style-type: none"> • Claims transmission queries. • SEP pricing queries of products. 	Discovery ProPBM call centre	0860 77 67 26 or ProPBM_QUERIES@discovery.co.za
Out-of-stock medicines <ul style="list-style-type: none"> • Substitute with alternative formulary • items (formulary document on the website) as these do not need re-authorisation • Where necessary, obtain telephonic authorisation for a replacement item • Alternatively obtain authorisation by email • Confirm of out-of-stock items 	Health partner call centre Add-A-Line call centre (re-authorisations) Email member list fo re-authorisation	0860 44 55 66 or CIBAPPFORMS@discovery.co.za
Remittance advices and payment runs <ul style="list-style-type: none"> • Reconciliations • Remittances & bank payments • PBR and MedXpress participation • Exgratias where paper claim is requested 	Health partner call centre	0860 44 55 66 or healthpartnerinfo@discovery.co.za or ruleexceptions@discovery.co.za
Chronic medicine and authorisation <ul style="list-style-type: none"> • Extended supply of medicine • Chronic Illness Benefit application forms or prescription updates (4 to 8h SLA) • Add-A-line telephonic authorisations for emergencies 	Health partner call centre Fax	011 539 7000 0860 44 55 66 CIBAPPFORMS@discovery.co.za
Oncology <ul style="list-style-type: none"> • ICD-10 codes 	Health partner call centre	0860 44 55 66 or CHRONICQUERIES@discovery.co.za
Pharmacy networks <ul style="list-style-type: none"> • Joining network or altering of rates • PBR and MedXpress participation • PBR report: Top ranking items that affect compliance • Update contact details 	Only Email	Provider_administration@discovery.co.za
Discovery Wellness Network <ul style="list-style-type: none"> • Joining the Wellness or HIV network • Ongoing operational matters 	Vitality call centre	011 529 8898 or Vitalitywellnessnetwork@discovery.co.za or Vitalitypartneroperations@discovery.co.za
Discovery fraud hotline	Toll-free phone Toll-free fax Email	0800 004 500 0800 007 788 discovery@tip-offs.com
Discovery website www.discovery.co.za <ul style="list-style-type: none"> • Lost password or login details • ProPBM website and other communication 	Website support call centre Email	0860 100 696 webinfo@discovery.co.za
Paper claim queries	Email	claims@discovery.co.za

<ul style="list-style-type: none"> • Reworks on claims 		claimsadjustments@discovery.co.za
Communications <ul style="list-style-type: none"> • Network agreements • PBR information • General claims information 	Website	www.discovery.co.za Click on <i>For Healthcare professionals</i> at the bottom of any page and scroll down to the middle of the next page to find the section ' <i>Discovery ProPBM</i> '. Click on ' <i>Communiques</i> '.
Formularies <ul style="list-style-type: none"> • CIB formulary • KeyCare information 	Website	www.discovery.co.za Click on <i>For Healthcare professionals</i> at the bottom of any page and scroll down to the middle of the next page to find the section ' <i>Discovery ProPBM</i> '. Click on ' <i>Find out more</i> ' and go to <i>Overview</i>
Registering a pharmacy <ul style="list-style-type: none"> • Forms, ID, BHF form, bank information 	Website	www.discovery.co.za Click on <i>For Healthcare professionals</i> at the bottom of any page and scroll down to the middle of the next page to find the section ' <i>Discovery ProPBM</i> '. Click on ' <i>Find out more</i> '
PrimaryCare enquiries	Call centre	0860 444 779 primarycare@discovery.co.za