

Pharmacy Benefit Administration

The Upside of Modern Technology vs. Legacy Claims Processing Systems





ACCREDITED
Pharmacy Benefit
Management
Expires 10/01/2027



CERTIFIED



CERTIFIED



CLOUD-BASED



OPEN API



ACCREDITED



Introduction

It's time to evolve.

I've worked in the pharmaceutical supply chain for over twenty years, and the level of interest in upgrading the systems we rely on throughout the continuum of care - and connecting those systems - has never been greater. The demand for increased efficiency and interoperability is ushering in a new age of electronic benefit administration systems: the Enterprise Health Platform (EHP). Judi®, our proprietary EHP, is designed to be the next-generation platform that connects all pharmacy benefit management (PBM) workflows and upgrades our nation's claims processing infrastructure to support the evolution of pharmacy services from legacy claims processing to risk-based performance and value-based care models.

We've taken what we learned by providing an exceptional, differentiated PBM solution to the commercial market since 2018, invested in R&D, and brought Judi into the government programs market. Judi was purpose-built to address the fundamental inefficiencies that exist in the administration of Part D programs running on legacy systems. The antiquated systems that most health plans rely on were built before the enactment of Medicare Part D in 2006. These systems were written 20 – 30 years ago, utilize outdated programming languages, and rely upon on-premise racking and cabling infrastructure. Let that sink in.

The time is now to consider a modern, flexible, scalable solution like Judi that contemplates today's Medicare requirements and is future-proof – i.e., able to easily handle customization requests or configurations for new regulations or requirements.

If you're a health plan executive who wants to take control of your plan administration, we'd love to show you how Judi will provide a material economic advantage in operating costs and a measurable difference in client satisfaction.



AJ Loiacono

Co-Founder & Chief Executive Officer
Capital Rx

A Brief History of Lopsided Investment in Healthcare Infrastructure

Since the turn of the century, the electronic health record (EHR) / electronic medical record (EMR) market has seen an incredible sum of money flow into it.¹ The Health Information Technology for Economic and Clinical Health (HITECH) Act, a component of the American Recovery and Reinvestment Act of 2009 (ARRA), and the 21st Century Cures Act in 2016 are largely viewed as catalysts for broader adoption and use of EHRs and spending on systems to aid the transition from paper charts to digital and the organization of data, reporting, and billing needed on the medical side of healthcare.

Given the appeal of a centralized, digital system to house patient health data, it's no surprise that health systems regularly spend anywhere from tens of millions to hundreds of millions of dollars on switching or installing new systems.²

However, the pharmacy side of the business has been a “status quo” static market for decades, with very little investment in innovation. A brief review of the history of the PBM industry is required to understand why legacy pharmacy adjudication platforms haven't evolved.

1990s

Since PBMs emerged in the 1990s, they have played a critical role in the pharmacy and overall healthcare supply chain. **PBMs were at the forefront of technology, connecting all pharmacies in the US via a single and uniform communication logic known as The National Council for Prescription Drug Programs (NCPDP).** NCPDP allows pharmacies, regardless of owner or chain name, to communicate safety edits (e.g., drug-to-drug interactions and disease-to-drug interactions), formulary status, benefit design, and patient payment information related to out-of-pocket costs. This happens within milliseconds and is arguably the most efficient transaction in healthcare.

Early 2000s

Through the early 2000s, PBMs gained market share, but the business model was still simpler than today, largely based on fair, disclosed, easy-to-understand per-claim transaction fees. As PBMs grew and brand drug price inflation accelerated, they began to negotiate with pharmaceutical manufacturers on rebates for preferred placement on formularies, and these dollars ultimately became important sources of revenue for PBMs.

Present Day

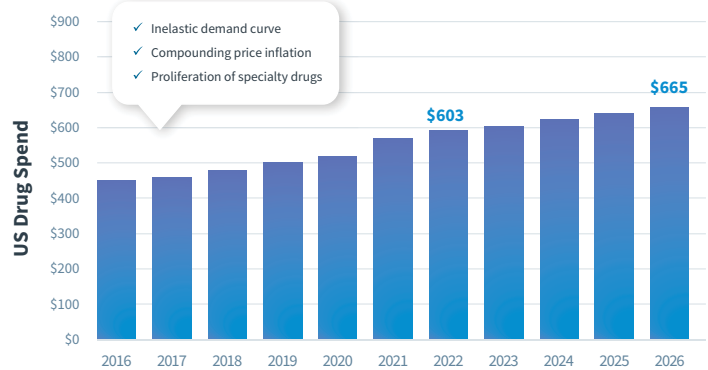
Most recently, PBMs started bundling GPO economics (rebate revenue, network margins, specialty acquisition cost, etc.) with Administrative Economics (cost to administer a plan and process claims). **The contractual complexity of payment terms, drug classification, adjudication logic, and other opaque practices make it impossible for most stakeholders to understand the actual cost of managing a plan** (Administrative Economics) and the margin made on drug spend (GPO economics).

Consolidation Over Innovation

As a result of the favorable economics in pharmacy benefits, the industry focused on consolidation over innovation. **The wave of revenue associated with dispensing drugs, specialty medication, and scale (i.e., the number of lives covered) could not be ignored.** An inelastic demand curve and compounding drug price inflation made exposure to drug spending very attractive from a profitability perspective. As a result of these favorable economics, PBMs scaled operational growth through headcount, not technology.³

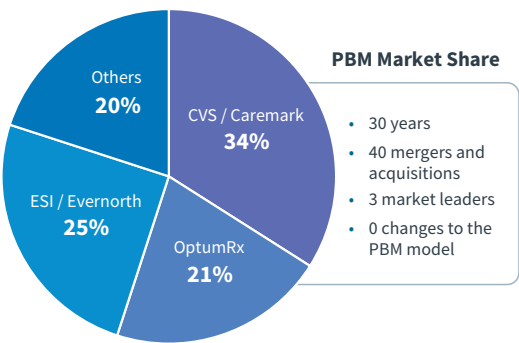
QUESTION:

Why does nothing change in the PBM industry?



ANSWER:

Market conditions led to consolidation, not innovation.



Sources: IQVIA, HIRC, Drug Channels, Capital Rx Estimates

THE RESULT: the primary systems used to adjudicate Medicare Part D claims in the US today are all decades old.

Name	Date Created	Architecture	Platform Language
RxClaim	1990s	Server (AS400)	Coded / Backend
Foundation 14	Early 2000s	Server (AS400)	Coded / Backend
Laker	Early 2000s	Server (AS400)	Coded / Backend
Darwin	Mid-2000s	Windows 2012	Coded / Backend
Argus (RxNova)	1980s	Server (AS400)	Coded / Backend
MedAccess	1980s	Windows 2012	Coded / Backend

Misaligned Incentives & Operational Inefficiencies

Unfortunately, health plans leveraging legacy systems have become used to several inefficiencies directly resulting from 20 – 30 years of relying on outdated technology that truly drives up the costs to deliver services to patients.

The owner of the platform most health plans are using is likely its own largest customer, so they come first for enhancements, items on the development roadmap, January 1 installations, and sometimes support. Said differently, their government business is prioritized. Not to mention, most buyers are purchasing these services from one of their major competitors, fueling their profitability.

Because the legacy systems are table-based, and there are decades worth of process modifiers and hard coding to wrestle with, **everything takes longer and requires more time and overhead to test and manage. A benefit change request should not take 30+ days**, but if you have a hierarchy of lists upon lists - or different levels of hierarchy used within a configuration – and every other table must be tested because a small error could impact the entire adjudication process, then it's no surprise you wait.

Key Questions to Ask Yourself:

- 1 Am I getting value for what I'm paying for?
- 2 Is my contract too restrictive or overly complicated?
- 3 How much labor do I need to take on to manage this program?
- 4 Do I actually have control over my pharmacy program?
- 5 Am I fueling my competition?
- 6 What goes into switching (i.e., can switching PBM partners be a good experience)?



JASON BARRETTO

Vice President of
Government Programs

In **Capital Rx's Government Programs: Behind the Scenes with Jason Barretto**, Jason

shares how his experience at health plans over the prior 15+ years helped to shape his understanding of the industry and the complexities of the relationship between pharmacy benefit managers (PBMs) and health plans.

[READ THE BLOG](#) ➤

In **Government Programs: The True Meaning of Customization**, he says,

“Everyone says there are firewalls up at the integrated models, but as you start to think of ways to be innovative and try to execute those ideas, you quickly realize that the PBM partner that's there to support you may be using you as a free consultative mechanism to build out capabilities that further enhance their revenue streams.”

[READ THE BLOG](#) ➤

Meet Judi®, Capital Rx's Modular Enterprise Health Platform

CLAIM PROCESSING

FORMULARY

CALL CENTER

BILLING & REIMBURSEMENT

PLAN & NETWORK SETUP

PRIOR AUTHORIZATION

MEMBER TOOLS

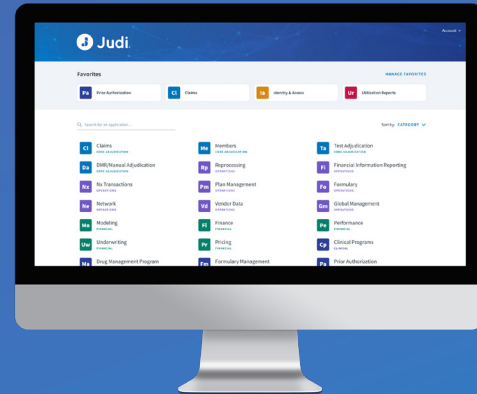
REPORTING

CLINICAL PROGRAMS

UNDERWRITING

DATA WAREHOUSE

COMMUNICATION SERVICES



Capital Rx's Judi is a cloud-native end-to-end EHP solution and was built from the ground up to:

Support clients with multiple lines of business, including Medicare, Medicaid, and commercial

Digitally link providers, patients, pharmacies, and plans

Achieve the highest standard of operational efficiency, clinical care, and member service

Judi is an event-based, rules-driven application that uses a fully independent and programmable REST API with management occurring through a single-page JavaScript-based application. This allows for seamless communication between former, existing, and new systems.

With its **highly adaptable, configurable, and modularized framework**, Judi supports all current pharmacy benefit **workflows** and can power the future of pharmacy benefits. With Judi, health plans have an **unbelievable level of flexibility for integrations or configurations**.

“

Judi has a huge advantage in that it was designed from scratch, with a clean sheet of paper. We considered the workflows involved with Medicare, what could be done better, and how to make it more accurate and provide a better customer and patient experience. For us, it's so critical to help seniors in the Medicare program and give them a better service model, help them reduce costs, and provide the most accurate workflows for a flat administrative fee.”

AJ LOIACONO
Co-Founder & CEO, Capital Rx

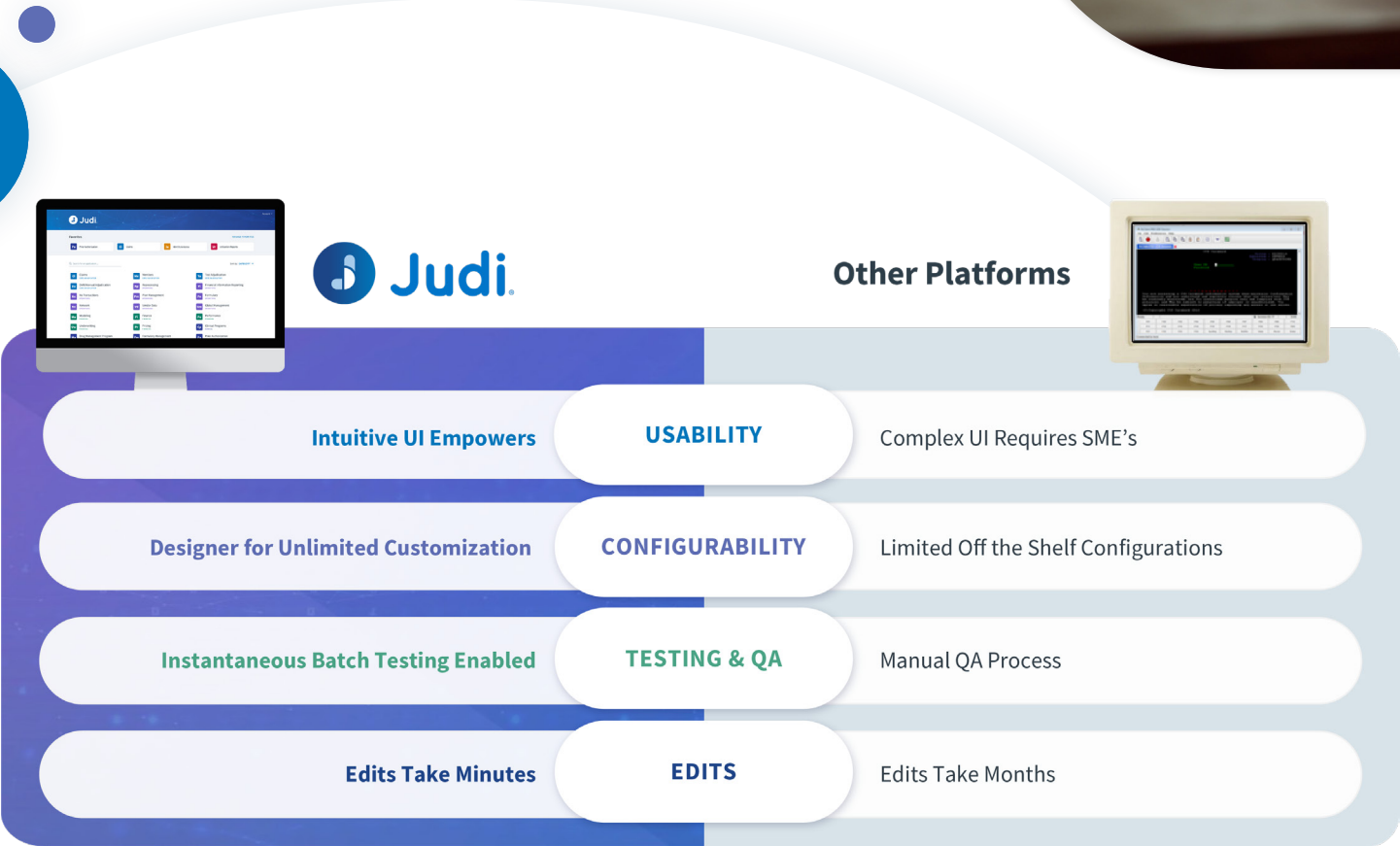
Custom rulesets are supported in Judi. Capital Rx can build unique benefit designs in minutes. There's no need for lists or the prioritization of lists. We have Tags and Overrides to create exceptions to standard rules, and there's one coverage strategy ID (CSID).

In legacy systems, plan codes are unique benefit configurations, and for clients coming off an AS400 or other legacy platforms, there are lots of plan codes to manage. There's one CID in Judi – a unique benefit configuration. This makes plan maintenance and changing benefits easier than it's ever been (e.g., COVID testing coverage or another change in design for a specific region).

Capital Rx can run 1000s of test scenarios in minutes via batch testing, whereas legacy systems leave users waiting for hours on delivery of files. Configuration of custom edits might take months to do in a legacy platform, but Judi provides the front-end flexibility to easily design client-specific benefits. Additionally, clients can run their own batch testing.

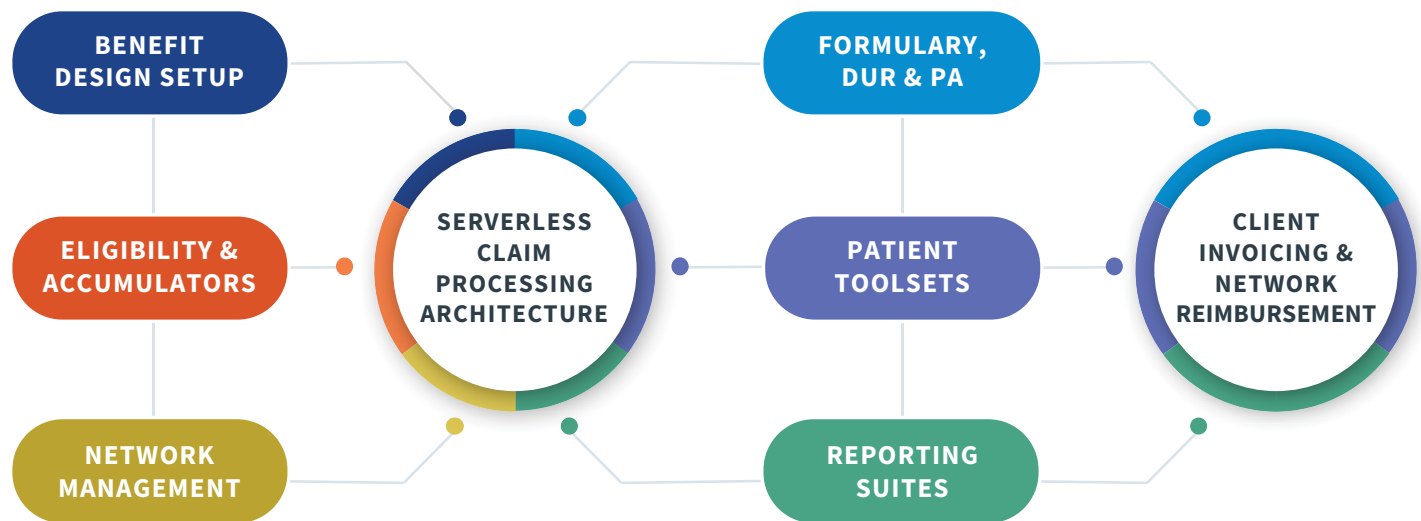


There's just one plan within Judi for dual-eligible members vs. two in legacy systems.

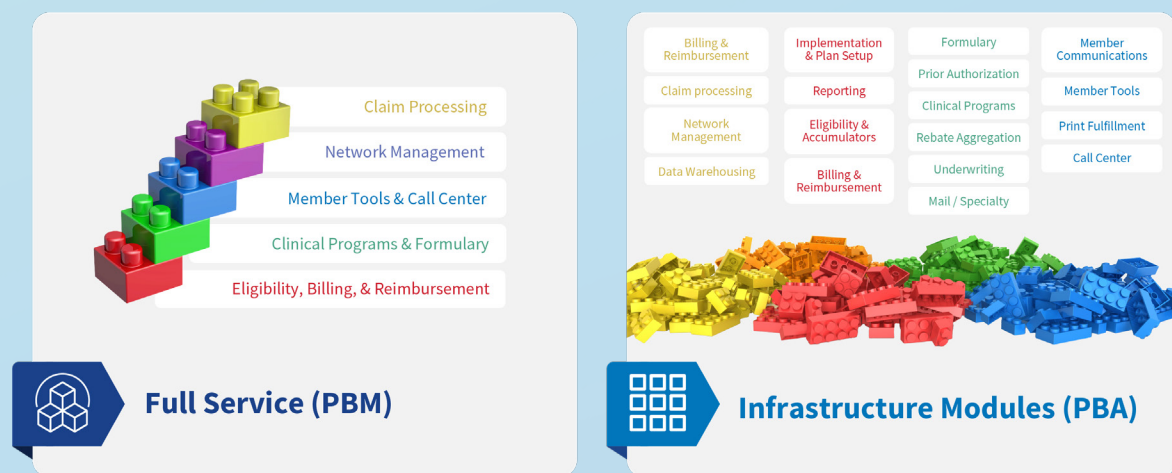


One System is All You Need

For anyone who's ever worked in the pharmacy department at a health plan, there's no longer a need to access or jump between several systems. With Judi, everything is integrated, and you can manage your prior authorizations, formularies, benefits design, eligibility, etc., in one place with complete control and transparency. Additionally, this is a platform for the future of medicine, where you'll have the ability to create benefits down to the individual level as healthcare moves away from "shotgun medicine" and toward personalized care.



Health Plans can start with a full-service model with Judi and become self-service over time. Judi's user interface and Capital Rx's model allow for self-service for clients who want to use the platform themselves!



Benefit Batch Testing in Judi



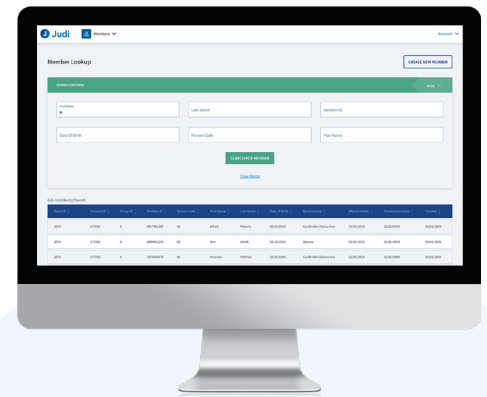
In early 2023, it took Judi
9 minutes to test a CSID.

**By 3Q 2023, due to process
enhancements, testing a CSID in
Judi took less than 60 seconds.**

Judi Allows for Quick Benefit Changes.

Batch Testing/Loading is a unique and amazing feature of Judi, especially compared to the status quo. Judi is designed to fully test an entire client benefit in under 15 minutes. Unlike legacy platforms that require testing in a test environment, all the testing occurs in the production environment within Judi. The ability to process multiple claim scenarios within one file in a benefit adjudication platform is something plan administrators have dreamed of. It's standard functionality within Judi.

Also, these batches are fully customizable to match a client's intent. Capital Rx doesn't have to create test members, remember "who" to use for what scenario/claim, and then worry about a purge process. Within a batch, we can provide the member demographics and stack a claim history to test scenarios as if the member has been going to the pharmacy to get their prescriptions. This is most useful for **step therapy, accumulators, and continuation of therapy**, to name a few applications. If a client wants to see the batch testing output, a summary format can be shared that includes the rationale for why a claim adjudicated as it did, and it's an **easy-to-read explanation**. Clients can finally **understand the reasons for adjudication vs. the reason for rejection**.



Eliminate stress and worry with Judi. There's no need to wait for batches to process (e.g., 2 days to process 200k claims). The speed of adjudication using production - not a clone environment - is a true differentiator with Judi.

Benefits of Judi You Will Appreciate

BENEFIT CHANGE EXAMPLES

To execute custom client requirements, Capital Rx's expert Benefits team collaborates with the Operations, Implementation, and Clinical Account Management teams, Formulary and Network teams, as well as the Product and Development team. For larger organizations with legacy software, this level of coordination is nearly impossible.

TAGS & OVERRIDES

Tags are a series of identifiers on a claim, and Overrides tell the claim how to behave. There are limitless possibilities with this functionality within Judi.

- **Lift a refill-too-soon (RTS) restriction** by allowing early prescription refills for members in a region of the country that's about to be impacted by a hurricane.
- **Cover preventive medication or certain supplies** at a \$0 copay if the prescription is written by a specific provider or set of prescribers.
- **Create custom messaging** at the point of sale to advise a pharmacist that a member may be eligible for a reduced cost share with certain diagnosis codes.
- For **prior authorizations**, create **custom rulesets** for provider gold card exemptions to streamline the process.
- The **customized batch process** input files are run against the rule sets in the configuration in Judi and return an output file. If your member is standing at the pharmacy and trying to pick up a prescription, we're testing that "transaction" to ensure the member will be able to pick up and pay for their prescription without any trouble and claims are processing as expected. If additional scenarios are needed, as they may be for custom rulesets, it's very easy to test in Judi.

THE PLAN MANAGEMENT MODULE of Judi aligns the arrangement of the Benefit Workflow for seamless entry. If you have multiple plans – high deductible health plans (HDHPs), a PPO, etc. – then the CSIDs are configured for the unique sets of benefits for specific sets of members. Capital Rx has successfully loaded over 300 unique benefit configurations in one step, and the batch upload takes under 10 minutes.

INTEGRATION WITH AN APP, CRM, OR POINT SOLUTIONS

is relatively easy and streamlined via Judi's APIs. For example, member data can be shared securely compliantly with preferred vendors or approved third parties in real-time.

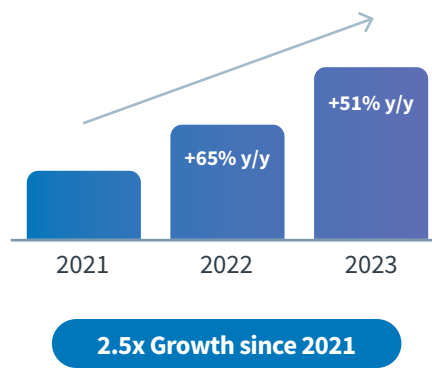
LEARN HOW Capital Rx's Integration Team was able to help a client provide members with a single, unified view of medical and pharmacy claims thanks to Judi®: [API integration enables over 4,000 Indianapolis Public School members to have access to Rx data through their app.](#)

JUDI HIGHLIGHTS/METRICS

Since the launch of Judi, Capital Rx has:

- Set up hundreds of clients in Judi
- Built and executed thousands of CSIDs and benefit changes
- An average turnaround time of just under 3 days to complete client requests

Unique Scenarios Tested & Reviewed



Streamlining The Implementation Process

Capital Rx's implementation team leveraging Judi-based workflows has a 100% implementation satisfaction rate across all clients to date.

The Benefit Operations Specialist Team works closely with multiple areas to ensure that configurations are captured and built out to client intent and appropriately, per the plan's benefit requirements. For clients with a prior history on an AS400 platform or other legacy technology, Judi's usability stands out. Its user-friendly interface, features, and functionality are not siloed by department or line of business. Everything is within one system, and any development work required is handled in an incredibly efficient manner that appropriate teams have visibility to.

A multi-pronged approach to successfully implement full replacement PBM services ensures an on-time, quality implementation process in 12 months or less while taking members' needs into consideration to minimize disruption.

Judi is evolving, and Capital Rx welcomes increasingly complex client requests. Our Benefit Configuration Specialists ensure that custom formularies, networks, and rulesets are properly implemented and claims adjudicate as expected.



Capital Rx doesn't have to manually build each benefit configuration in Judi. They can be batch-loaded, and they auto-populate, which saves time. The ability to copy out a coverage strategy ID and create more of them is truly amazing.

360-Degree Support Through Plan Inception, Build, Test, Go-Live & Beyond



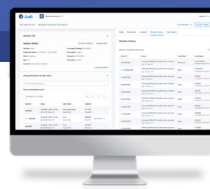
Rigorous, comprehensive testing with ongoing visibility

Fully autonomous **BATCH TESTING** across all scenarios, with full visibility into results



Cross-functional support from designated industry experts

Senior Leadership partakes in daily **WAR ROOM** to accelerate action and resolution



Proactive go-live monitoring & rapid issue resolution

Daily ongoing **CLAIMS MONITORING** by both Account and Implementation Teams



High touch member experience driven by human-first strategy

Omnichannel suite of targeted communications, with **24/7 CUSTOMER CARE**

For commercial, Medicaid, and Medicare implementations, specialists oversee every aspect of the process.

Don't Wait Another Day to See What Judi Can Do

If you're a health plan executive managing a pharmacy benefit program, you can find ease at your fingertips and peace of mind with a true partner. Reach out to see how Capital Rx and Judi can help make life easier and provide you and your members with a superior pharmacy benefit experience.

Additional Resources

New York State issued a notice to plans and PBMs stating that each plan must implement point of sale (POS) claim denial messaging, see [How Judi's® Flexibility Helped a Client Achieve Compliance with Ease.](#)

CONTACT US TO LEARN MORE!



References

1. Nguyen KH, Wright C, Simpson D, Woods L, Comans T, Sullivan C. [Economic evaluation and analyses of hospital-based electronic medical records \(EMRs\): a scoping review of international literature.](#) NPJ Digit Med. 2022 Mar 8;5(1):29. doi: 10.1038/s41746-022-00565-1. PMID: 35260765; PMCID: PMC8904550.
2. Diaz N. [How much health systems are paying for EHR installs.](#) Becker's Health IT. Updated Tuesday, June 13th, 2023.
3. Richman BD, Adashi EY. Pharmacy Benefit Managers and the Federal Trade Commission: A Relationship Gone Sour. JAMA. 2023;329(5):367-368. doi:10.1001/jama.2022.24731