

Q&A with Alex Schmelzer, Founder and CEO of Mesa Rx Innovations a Pharmaceutical Cost-Savings Consultancy and Proprietary Software Solution helping Self-Insured Employers Eliminate Unnecessary Drug Spending



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“Many self-insured employers today are spending millions of dollars on drugs and they need to find ways to generate savings.”- Alex Schmelzer

CEOCFO: *Mr. Schmelzer, would you tell us about MesaRx?*

Mr. Schmelzer: MesaRx is a pharmaceutical cost-savings consultancy that offers an innovative proprietary software solution to help self-insured employers face the financial pressure of rising drug costs. We identify cost savings by analyzing employer pharmacy claims data and we leverage our industry knowledge and expertise to eliminate unnecessary drug spending. We make sure self-insured employers are not paying more than necessary for medications their employees need.

CEOCFO: *Would you work with a self-insured organization on an ongoing basis?*

Mr. Schmelzer: The first thing we would do is we would ask the self-insured employer for their pharmacy claims data, which is every single claim that the client has used over the last year. We would run the comprehensive data through our software algorithm and it would come up with various ways that the employer can save money.

CEOCFO: *Would you give us a couple examples of what you pick up that might be missed by others?*

Mr. Schmelzer: Some of the cost-savings opportunities include, the use of generic substitution over branded drugs and the removal of expensive prescription drugs that are available Over-the-Counter for less. We will also make changes to an employer's formulary and help the employer change their rebate structure. For example, many employers will pay hundreds of dollars per claim for prescription Nexium, which is used to treat acid reflux. Nexium can be purchased for about \$30 on Amazon, CVS or Walgreen's, and is about 80% cheaper. We will suggest removing prescription Nexium from the formulary and we will suggest the employees purchase Nexium Over-the-Counter for much less. There is a drug called Diclegis®, which is a combination of an antihistamine and Vitamin B6, and these are both available for less at your local drug store. Generic drugs are cheaper than branded drugs and employers hire pharmacy benefit managers to offer them the best possible benefit plan, at the lowest possible cost. Unfortunately, the economic interests of the pharmacy benefit manager often does not align with the economic interests of the employer. Often a pharmacy benefit manager will generate more profit the more an employer spends on drugs. They will not always provide transparency to the employer, leaving them operating in the dark. Many self-insured employers today are spending millions of dollars on drugs and they need to find ways to generate savings.

CEOCFO: *Do you find it a concern that employees will not be happy with generics or does the savings just trump that consideration?*

Mr. Schmelzer: Yes, I do find employers that are very concerned that employees will push back if employees are told to use generic drugs. I firmly believe if a pharmacy benefit manager gave a complete drug list to the employer and an

employer saw that they are paying \$30 for a pill that can be purchased in generic form for \$0.30, the employer would seriously consider a change. Many of these branded drugs are deemed interchangeable, meaning that the pharmacist can change the prescription to a generic at the drugstore. If the employer generates cost savings, there is potential to pass those savings along to the employee.

CEOFO: *How are you reaching out to potential clients?*

Mr. Schmelzer: I have presented our solutions at human resource tradeshows. I would say a combination of some large email distributions, tradeshows, and personal connections have been particularly fruitful. When I tell corporate executives that they are probably overspending and they can generate savings and reinvest in their company, people can get quite interested.

CEOFO: *What if anything has changed in your approach?*

Mr. Schmelzer: It has been an exciting couple of years. I started the business because I saw how many of these overpriced drugs have cheaper alternatives. My hypothesis that many pharmaceuticals are overpriced was proven in my beta testing. In beta, we saw large inefficiencies. Every client whose data we analyzed had between 10% and 20% potential cost savings. I was surprised by the percentage of the drug rebate pharmacy benefit managers kept for themselves versus the percentage they gave back to the employer. I even saw cases where the pharmacy benefit manager gave a small discount in fees to the employer, but kept the entire rebate. I was also surprised how even mid-sized employers were not getting transparent data. Based on my experience, the majority of self-insured employers are overpaying in some way for pharmaceuticals. In short, every data set is a huge learning experience and every interaction with stakeholders is a huge learning experience.

CEOFO: *When you present your findings, what format do you present it in and are you able to help or make recommendations to an organization?*

Mr. Schmelzer: We publish a comprehensive report, both a written report and a spreadsheet. It outlines all of our findings and usually can be put into seven to twelve different categories of savings. On average, our report can highlight 75 examples or more. We will then coordinate a meeting with the employer, the benefit consultant and the pharmacy benefit manager to discuss our findings. In our experience, employers feel empowered to be able to take control of their drug spend. Once pharmacy benefit managers are presented with our report, they usually work cooperatively and act flexibly.

CEOFO: *Would you tell us about the potential market for you?*

Mr. Schmelzer: It is a very big market. The general rule of thumb is employers who have roughly five hundred employees usually self-insure, because it is economically beneficial for them to self-insure instead of fully insure. Essentially any employer with five hundred employees who is self-insured is a target, and that includes for-profit corporations, university systems, city municipalities, governments, and healthcare companies. There are about 60,000 self-insured entities in the US and the smallest entities probably spend close to a million dollars on pharmaceuticals.

CEOFO: *Why pay attention to MesaRx?*

Mr. Schmelzer: I think employers do not always have transparency when it comes to their drug spend. What we do is unique, MesaRx analyzes every single pharmacy claim experienced by the employer over the course of the year. We find low-hanging fruit and savings that are easy to come by. Helping employers generate cost-savings allows them to reinvest in their business and their workforce.

