Prescription Drug Plan Strategies for 2017 Q&A

Q. We are fully insured. I had a medication that only has 2 medications in the class. The PBM would not cover the generic - only the one that was still name brand. It was about $300 per month more than the generic. What can we do if we notice this as the employer?
A. This is definitely an observation that you should bring to the attention of your carrier. Ask them to explain why the brand-name drug is covered on the formulary, but not the generic. It is possible that there are differences between the brand and generic medication that are sound clinical reasons to exclude the generic medication. Without knowing the specific medications, it is not possible for us to determine what those alternative considerations may be.

Q. What about the coupons that employees are using from www.goodrx.com? The coupon covers the cost that the employee pays up to their portion of the deductible. Therefore, employees don't have any out of pocket costs.
A. To my understanding, an individual can use either GoodRx coupons or run their prescription through their health insurance plan, but not both. Individuals use GoodRx coupons in order to obtain a prescription at a lower cost. When applied, the coupon cost through GoodRx may be lower than the cost of the script through the health insurance plan. In such a case, the individual may choose to use the GoodRx coupon, but then would forego running their prescription costs through the health insurance plan and would not accumulate these out of pocket expenses toward the health insurance plan deductible or out of pocket limits.

You may be thinking of copay offset programs, which are offered by pharmaceutical manufacturers to offset an individual's out of pocket expenses - copays, coinsurance and deductibles (in the case of high deductible plans) – when a medication is purchased. An example would be the Jublia copay coupon that we discussed during the webinar. The manufacturer offers a coupon to offset the cost-sharing for this high-cost brand-name medication, inducing the member to choose this more expensive medication. The individual insured benefits as they have a lower out of pocket cost. However, the plan sponsor or the health plan are, in turn, caused to absorb and pay for a higher cost medication. In order to address copay offset programs, PBMs and plan sponsors have introduced a few strategies:

1. Use of exclusionary formularies, in this case excluding coverage of all but one medication in a certain class of drugs in order to make the copay coupons no longer of use to the insured. Yes, exclusionary formularies may also be set up by the PBM to drive

the best rebates even when the medication is not the lowest cost or most efficacious in its class, but they do also serve the purpose limiting the use of copay offset programs.

2. In the case of specialty medications, mandating the procurement of all specialty medications through a specialty pharmacy, which is in turn instructed not to accept or process any copay coupons.
3. If a PBM allows flexibility, the plan sponsor may have the ability to exclude specific medications where there is significant concern of abuse, without a full exclusionary formulary.

Q. What is gained by excluding one pharmacy? Assume you are excluding the most costly pharmacies.

A. Typically, if one pharmacy chain is excluded, the "Open Network Minus One" model, it would be one of the vary largest chains, likely either Walgreens or CVS. By excluding one of these major chains from the network of participating pharmacies, the PBM and plan sponsor are able to drive deeper discounts and lower drug acquisition costs for medications at retail. Eliminating one of the two top drugstore chains in the market will result in the other network pharmacies being willing to lower their costs for a given PBM.

Why one of the big two? Walgreens and CVS control a significant portion of the drugstore market throughout the US. According to a 2015 report by Barclays' Meredith Adler, Walgreens and CVS combined control between 50% and 75% of the drugstore market in the 14 largest US metropolitan areas. Combined, they control 50% or more of the drugstore market in 70 of the top 100 metropolitan areas in the US. This study was completed in 2015, before CVS acquired the Target pharmacies, adding to their market share. It also does not account for Walgreens increased market share that will result from their pending acquisition of RiteAid stores.