Managing Prescription Drug Cost

PRESENTED BY

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Importance of Formularies in Health Equity

Formularies can impact health equity because they influence which medications are affordable and accessible to patients of different economic backgrounds. A well-designed formulary can help reduce disparities by ensuring that high-quality, cost-effective medications are available to underserved populations. However, formularies with overly restrictive policies may inadvertently limit access to certain medications for individuals who need them, which can disproportionately affect low-income or marginalized groups.

What is a Formulary & Its Purpose

A formulary is an official, curated list of prescription drugs that a healthcare organization, insurance plan, or government agency approves for use and coverage. It is essentially a guide for which medications are considered ==safe, effective, and cost-efficient==, and it helps in managing and controlling the cost of medications within a healthcare system. Formularies are integral to healthcare policy, cost management, and patient care, ensuring that patients receive access to necessary and effective treatments while controlling costs.

Types of Formularies

• **Open Formulary**: Offers a broad range of drugs without strict restrictions, allowing prescribers more freedom to choose medications but usually at a higher cost.

• **Closed Formulary**: Restricts the medications available to only those listed on the formulary, meaning that non-formulary drugs are not covered or are only available with special approval.

• **Tiered Formulary**: Categorizes medications into tiers based on cost, efficacy, and preferred status, where lower-tier medications are more affordable, and higher-tier or non-preferred drugs come with higher copayments.
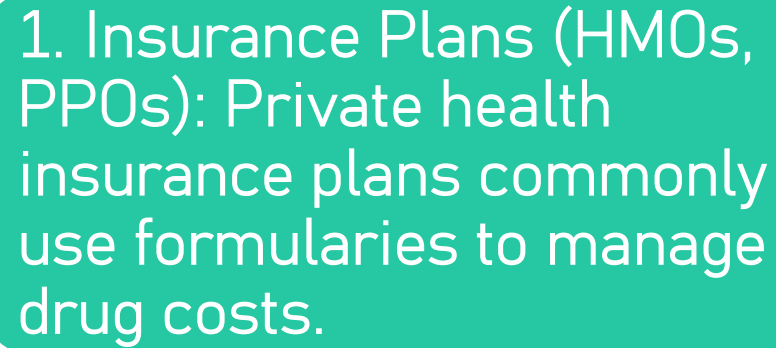
Formulary Committee and Development

A Pharmacy and Therapeutics (P&T) Committee typically develops and maintains the formulary. This committee includes physicians, pharmacists, and other healthcare experts who review drugs based on efficacy, safety, and cost-effectiveness.

The P&T Committee makes formulary decisions using clinical studies, treatment guidelines, and evidence-based research to ensure that drugs are appropriate for their intended use.
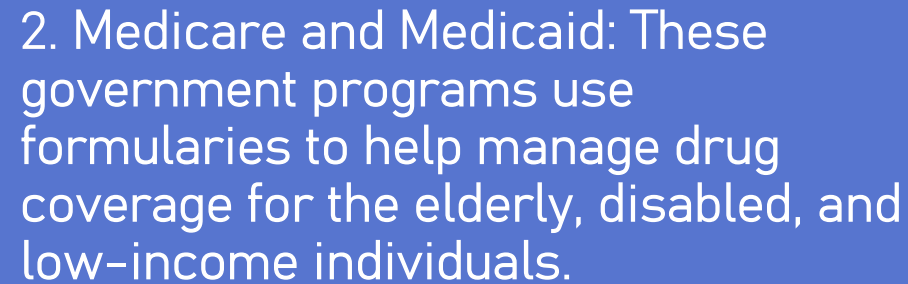
Drugs are reviewed and added, removed, or modified within the formulary regularly to reflect changes in clinical guidelines, new drug approvals, or safety information.

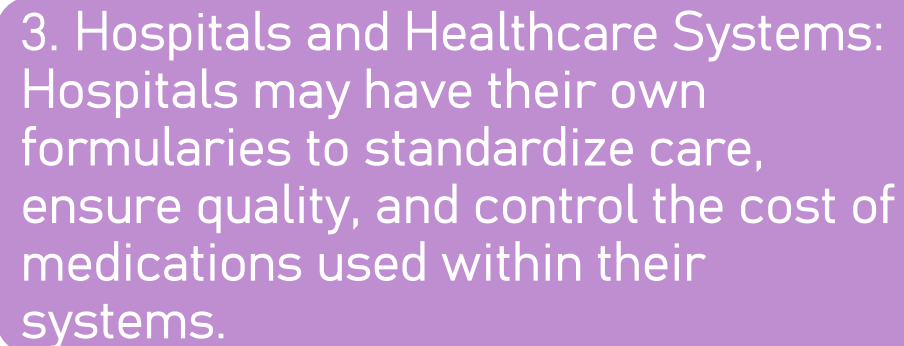# Examples of Organizations that Use Formularies

1. Insurance Plans (HMOs, PPOs): Private health insurance plans commonly use formularies to manage drug costs.

2. Medicare and Medicaid: These government programs use formularies to help manage drug coverage for the elderly, disabled, and low-income individuals.

3. Hospitals and Healthcare Systems: Hospitals may have their own formularies to standardize care, ensure quality, and control the cost of medications used within their systems.

How Patients and Providers Use Formularies

Patients: Can refer to the formulary to understand which medications are covered and their associated costs, helping them make informed decisions about their treatment.

Providers: Use the formulary as a prescribing guide, helping them choose effective and affordable options for their patients.

Formulary as a critical tool

A formulary is a critical tool in healthcare for managing drug selection, cost, and access to medications. It plays a significant role in promoting cost-effective care and supports providers in delivering safe, effective treatments aligned with both clinical and financial considerations. When effectively managed, formularies can improve health outcomes and enhance healthcare system efficiency, although they must be carefully designed to avoid limiting access for underserved or vulnerable populations.

What is the TIER System

The "Medication Tier System" is a classification method used by health insurance plans to categorize medications based on their cost, therapeutic efficacy, and value to the healthcare system. This system helps determine the out-of-pocket cost for patients, as well as the level of insurance coverage provided for different medications. Tiers generally range from Tier 1 to Tier 4 or 5, with costs increasing as the tiers progress. The tier system is used by insurance providers to encourage the use of more affordable and effective medications before moving to higher-cost alternatives.

TIER ONE

Generic Medications

Description: This tier typically includes generic medications, which are FDA-approved versions of brand-name drugs. They contain the same active ingredients and provide the same therapeutic effects.

Cost: Lowest copayment or out-of-pocket cost.

Rationale: Insurance plans incentivize the use of generics to lower overall costs. Generic drugs are usually much less expensive than brand-name counterparts due to competition and lower production costs.

Example Medications: Ibuprofen, metformin, and lisinopril (in their generic forms).

TIER TWO

Preferred Brand-Name Medications

Description: Tier 2 consists of brand-name medications that are more affordable or have been negotiated for lower pricing. These drugs may not have a generic equivalent.

Cost: Moderate copayment or coinsurance, higher than Tier 1 but generally affordable.

Rationale: These medications are often chosen based on the negotiated agreements between insurers and pharmaceutical companies, with the intent to balance access and cost-effectiveness.

Example Medications: Certain brand-name medications for diabetes, hypertension, or depression that are widely used and may have stable, predictable pricing.

TIER THREE

Non-Preferred Brand-Name Medications

Description: This tier includes non-preferred brand-name medications that are usually more costly and less frequently prescribed or do not have negotiated discounts.

Cost: High copayment or coinsurance, which can be a significant portion of the medication's cost.

Rationale: Insurers encourage the use of lower-tier alternatives before allowing access to these more expensive medications, which are only covered when clinically necessary.

Example Medications: High-cost specialty drugs or newer brand-name drugs with limited competition.

TIER 4

Tier 4: Specialty Medications

Description: Specialty medications are typically high-cost drugs used to treat complex, chronic conditions, such as cancer, rheumatoid arthritis, and multiple sclerosis.

Cost: Highest copayment or coinsurance, sometimes a percentage of the total drug cost rather than a fixed fee.

Rationale: Due to their high costs and the need for careful administration or monitoring, specialty medications are only covered when medically necessary and often require prior authorization.

Example Medications: Biologics, oncology treatments, and certain advanced immunosuppressive medications.

Pros of the Medication Tier System

Cost Control: Helps control overall healthcare costs by encouraging the use of cost-effective medications.

Encourages Generic Use: Incentivizes patients and providers to consider generics or preferred brands, which are generally less costly.

Predictability: Allows patients to have a predictable structure for copayments based on tier placement.

CONS of the Medication Tier System

Access Barriers: High out-of-pocket costs for higher-tier drugs may prevent patients from accessing necessary medications.

Complexity: Patients may struggle to understand their benefits or may inadvertently choose higher-cost options.
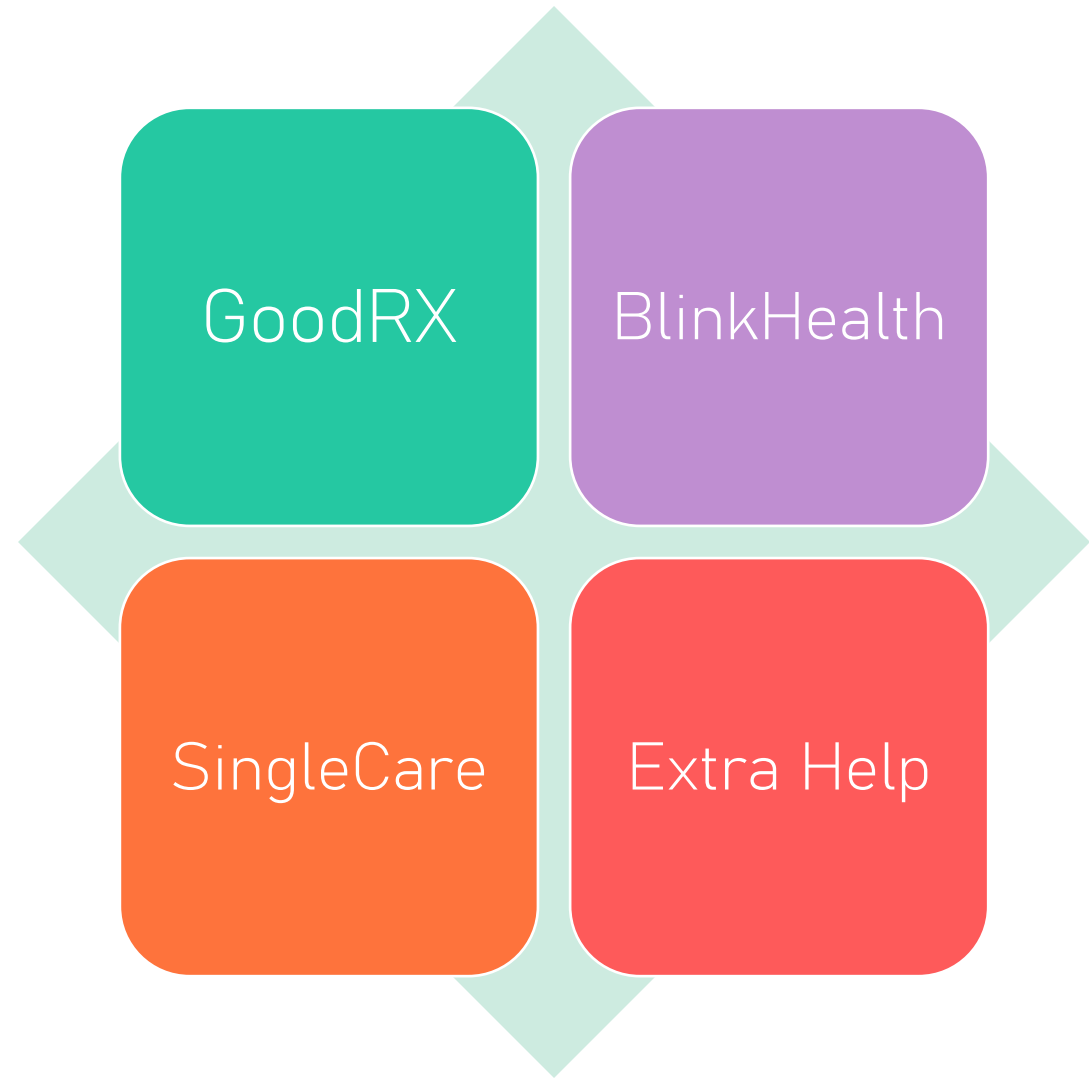
Reduced Provider Choice: Providers may feel limited in treatment options due to cost pressures, which can affect patient outcomes.

Considerations for Health Equity

The tier system can affect health equity by placing financial strain on patients who need higher-tier medications but cannot afford the increased costs. Some solutions to improve equity include:

• **Subsidies for Low-Income Patients:** Offer reduced copayments for essential medications to ensure that patients in need do not face prohibitive costs.

• **Expanded Access Programs:** Health plans or government programs could include support for patients requiring specialty or high-cost drugs that lack affordable alternatives.

• **Regular Tier Reassessments:** Regularly update tiers based on therapeutic value and cost changes to improve patient access without compromising financial sustainability.

COST SAVINGS PROGRAMS

GoodRX

BlinkHealth

SingleCare

Extra Help

GOODRX

Overview: GoodRx is a digital platform that helps patients find discounts and coupons for prescription medications, offering a way to save money on medications without insurance. GoodRx partners with pharmacies to negotiate prices and compiles these discounted prices in an easily searchable online database.

Savings: GoodRx discounts can offer substantial savings, often reducing costs to a fraction of the cash price. In many cases, GoodRx's prices can be lower than insurance copays, especially for generic medications.

Limitations: GoodRx cannot be combined with insurance, meaning users choose between using their insurance or using the GoodRx discount. Additionally, discounts may vary by pharmacy and location, and not all medications are covered.

Best For: Patients paying out-of-pocket for medications, those without insurance, or insured individuals whose plans do not cover certain medications.

BLINKHEALTH

- **Overview:** Blink Health is another prescription savings service that negotiates directly with pharmacies and pharmaceutical companies to offer discounted prices. Blink Health differs from other programs by allowing users to pay for their medications online in advance, locking in the discounted price.

- **How It Works:** Users search for their prescription on Blink Health's website or app and can see discounted prices across different pharmacies. After paying for their prescription online, users can pick it up at a participating pharmacy or have it delivered, depending on the pharmacy's location and participation.

- **Limitations:** Like GoodRx, Blink Health cannot be combined with insurance, so patients must choose one or the other. Blink Health only partners with certain pharmacies, which can limit availability in some areas. Additionally, users have to pay online first and cannot pay at the pharmacy, which can be a limitation for those who prefer not to pay online.

SINGLECARE

- **Overview:** SingleCare is a prescription savings card service that offers discounts at over 35,000 pharmacies across the U.S. It provides a free, easy-to-use card that patients can present at pharmacies for discounts on medications.

- **How It Works:** Users search for their medication on the SingleCare website or app to find local pharmacies offering discounted prices. They can then print, text, or download a discount card or coupon to use at the pharmacy.

- **Limitations:** SingleCare discounts cannot be combined with insurance, and prices may vary by location and pharmacy. As with other discount cards, it may not cover all medications or always offer the lowest price.

- **Best For:** People without insurance, those with limited prescription coverage, or those seeking cost savings on specific medications.

<u>Extra Help Program (Medicare Low-Income Subsidy)</u>

- **Overview:** The Extra Help Program, also known as the Medicare Low-Income Subsidy (LIS), is a federal assistance program that helps Medicare beneficiaries with limited income and resources pay for prescription drug costs. It is managed by the Social Security Administration (SSA) and works in conjunction with Medicare Part D prescription drug plans.

- **How It Works:** Qualified individuals receive assistance with monthly premiums, annual deductibles, and prescription copayments for Medicare Part D coverage. The level of assistance is based on income and asset levels, with different thresholds determining whether beneficiaries receive full or partial subsidies.

Extra Help Program (Medicare Low-Income Subsidy)

• **Savings:** The Extra Help Program can save individuals thousands of dollars annually by covering most out-of-pocket expenses related to Medicare Part D, including premiums and cost-sharing. For those who qualify, copayments may be reduced to as low as $1 for generics and $3 for brand-name drugs.

• **Eligibility and Application:** Eligibility is based on income and resources, which must fall below specific thresholds set by the SSA. Individuals apply through the SSA and must provide financial information for verification. Some people are automatically enrolled based on their eligibility for Medicaid or other assistance programs.

• **Limitations:** The Extra Help Program is only available to Medicare beneficiaries who meet specific financial criteria. Those who don't qualify may still face high prescription costs under Medicare.

• **Best For:** Low-income Medicare beneficiaries struggling to afford their prescription medications and meeting the program's income and resource limits.