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Managing Pharmacy Benefits

Complex pharmaceutical issues require HR leaders to take a multi-faceted approach to strategic plan designs that balance employee needs with financial prudence. Education and communication to ensure employees understand the impact of their pharmacy choices are also crucial.

By Lin Grensing-Pophal

An aging, and increasingly less-healthy population. Healthcare reform looming in the not-too-distant future. Rapidly rising healthcare costs, particularly in the area of pharmaceuticals, which, for certain specialty drugs known as biologics can reach hundreds of thousands of dollars a year -- for one individual!

What are organizations and their HR leaders to do?

A number of things, according to the Pharmacy Benefit Management Institute's recently released *2011-2012 Prescription Drug Benefit Cost and Plan Design Report*, which highlights emerging trends across employers of all sizes and industries.

Key findings of its most recent study include:

* The complexity of cost-sharing is continuing to increase, driven by increased use of four-tier plans and co-insurance designs.

* While co-pays for generics and traditional brands have remained relatively flat, specialty co-pays have increased by 37 percent and the co-pay differential between tiers continues to grow.

* Most plans are offering a greater co-pay discount for mail-order prescriptions than for retail.

* Specialty pharmacy networks are tightening, limiting options for employees, but helping to control costs.

A major implication of these findings is the need for increased education about cost-sharing, experts say. Fortunately, HR leaders will find an increasing prevalence of online resources.

In addition, says Brenda Motheral, executive director of PBMI in Plano, Texas, the "complexity of the benefit" requires HR leaders to not only balance employee prescription needs with cost considerations, but also ensure that plan-benefit designs are well understood by employees -- so utilization benefits both employees and organizations.

Employer Implications

Doug Ghertner, president of Change Healthcare in Brentwood, Tenn., and a former CVS Pharmacy/Caremark executive, says it's important for employers to set employee requirements for using pharmacy benefits as over-utilization -- and, consequently, the rising cost of healthcare -- is a result of users being isolated from the actual costs of the services and medications they receive.

"It's important for employees to understand that, just because they're not paying anything, it's not free," he says.

Plan designs that require employees to share a portion of the cost help increase awareness of the real value of the benefits they receive, he says.

"Making that connection is important," he says.

Another costly problem, says **Kelly Moore**, president of Moore Benefits in Irvine, Calif., is that some patients are hesitant to *not* fill their prescriptions, even if they don't intend to use them. "If our plans make the drugs so cheap they're almost free, it can promote that kind of waste."

HR leaders should also attempt to address the overuse of drugs by providing robust wellness programs and education, says Moore. "Sometimes, people use drugs instead of addressing underlying health issues."

And then there are the employees who may attempt to seek pain medications through multiple providers, she says. Centralized databases, she says, can help provide monitoring for that type of behavior.

Another problem, Ghertner says, occurs when patients *don't* take their medications, as prescribed -- often due to cost concerns, risking long-term health issues that can result in greater costs in the long run.

Christopher Roebuck, Ghertner says, addressed this issue in a paper published by *Health Affairs*, entitled "**Medication Adherence Leads to Lower Health Care Use and Costs Despite Increased Drug Spending**."

Cost savings may also be achieved, says Ghertner, by cutting back on the number of pharmacies in-network. Even going from a massive starting point of 60,000 pharmacies to an almost equally massive number of 40,000 can have a significant impact on costs, he says.

"I think the tolerance level [of employees] for that has gone up considerably," Ghertner says.

Employers are also continuing to focus on generic alternatives to brand-name drugs and, he says, have mostly moved from a two-tiered prescription plan to a three-tiered approach -- generic, preferred-brand and non-preferred brand.

Step-therapy options are also becoming more prevalent. These require a member to first try a generic and then only move to a brand version of a drug if the generic fails to meet their needs.

"If you fail on the generic you can take Lipitor, for instance, and pay the normal brand co-pay. But, if you insist on going to Lipitor out of the gates, then there's not going to be benefit coverage for that product for you," says Ghertner.

Nadina Rosier, practice leader of New York-based Towers Watson's North America health and group benefits practice, says employers are also "implementing more rules around prior authorization of certain drugs," with some requiring pre-certifications for specialty drugs.

Even so, Ghertner says, the growing emergence of biologic-specialty medications will almost surely drive costs up.

Such drugs are "designed to address things like rheumatoid arthritis or multiple sclerosis or Crohn's disease. On average they're probably about $2,000 a month and can run upwards into hundreds of thousands of dollars a year," he says.

While only about three percent of the employee population may use such drugs, they account for as much as 15 percent of overall drug spend, he says.

Plan sponsors may want to keep tighter controls over such drugs by, for instance, requiring the use of specific mail-order pharmacies when filling prescriptions, Ghertner says.

Communication and Education

For employers -- and their HR teams -- the effective management of these shifts is no easy task, says Rosier.

"Unless employers are well equipped to understand their full financial exposure that overlays both the medical benefit and pharmacy benefit, they are really going to miss a big opportunity from a management perspective, especially in the long term," she says.

Communication and education are key to driving behavior change, of course.

One of the challenges employers and plan sponsors face, says Ghertner, is that most employees simply don't take advantage of the information they have readily available to them. "The majority of folks are not going to take the initiative to look up [educational or competitive-cost] information," he says.

Companies need to make a more concerted effort to alert employees when there is an opportunity to save money by purchasing a less-expensive form of medication or by making purchases through a different source, he says.

"The price you pay at CVS might be very different than the price you pay at Walgreen's or Wal-Mart or through mail order," he says. "That's especially the case if you've got a deductible and also the case if you're in a co-insurance plan."

PBMI's Motheral notes that, while pharmacy "benefits are more complex, the decision-support tools are much, much better than we tend to see in other areas of healthcare."

Online tools have improved significantly, she says, but notes "there is no real panacea. It's a constant effort that you need to do through your online tools and through your communications each year."

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