



Controlling Prescription Drug Costs

THE TOOL KIT



Managing Rx Costs: The Tool Kit

@ What's the problem?

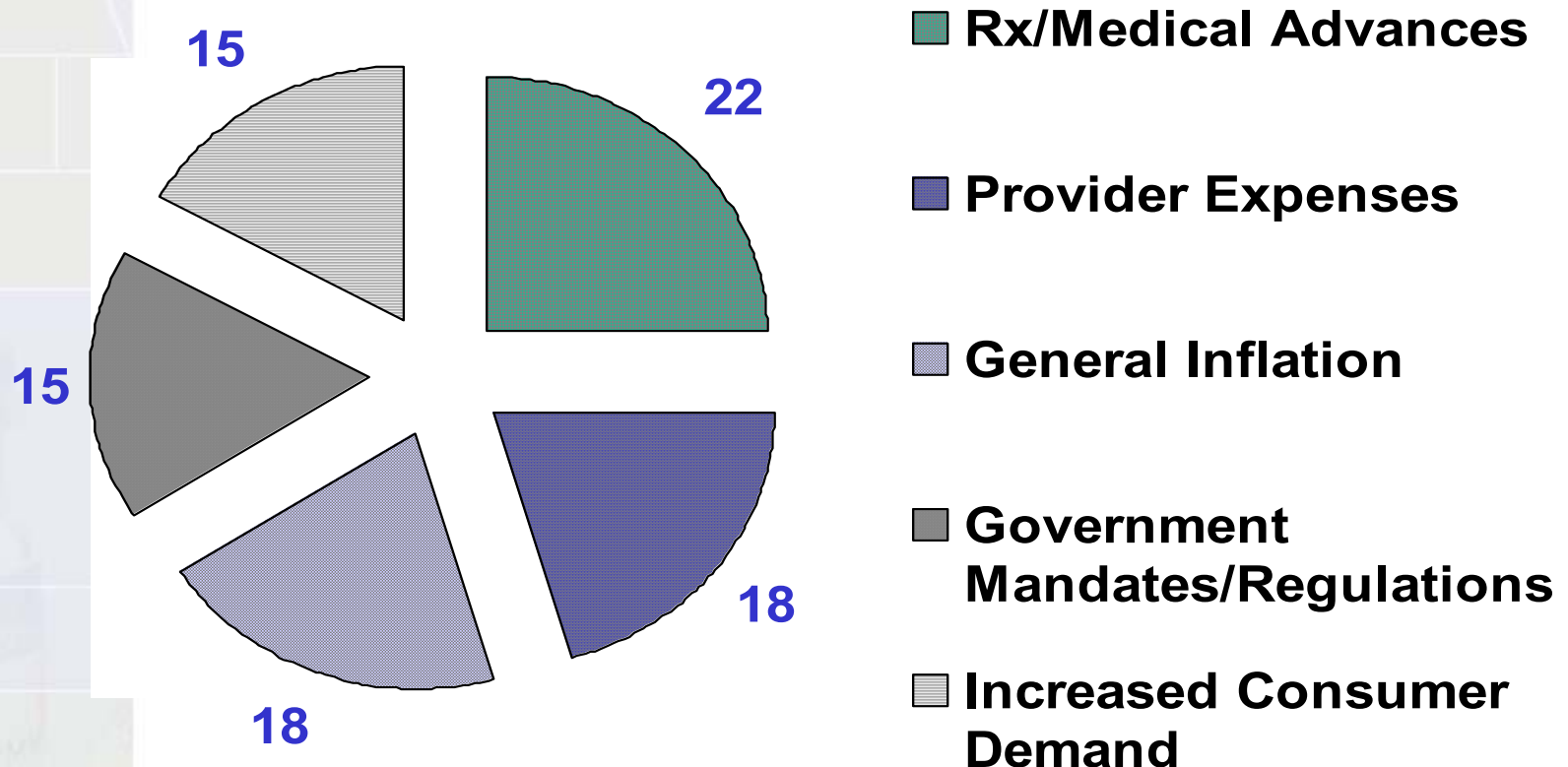
- ▶ Continual cost increases
- ▶ Lack of information for consumers and plan sponsors

@ What are potential solutions?

- ▶ Plan design changes
- ▶ Better plan management
- ▶ Employee communication
- ▶ Information on price and effectiveness

What's Driving Medical Costs?

Percent of Total Cost Increase

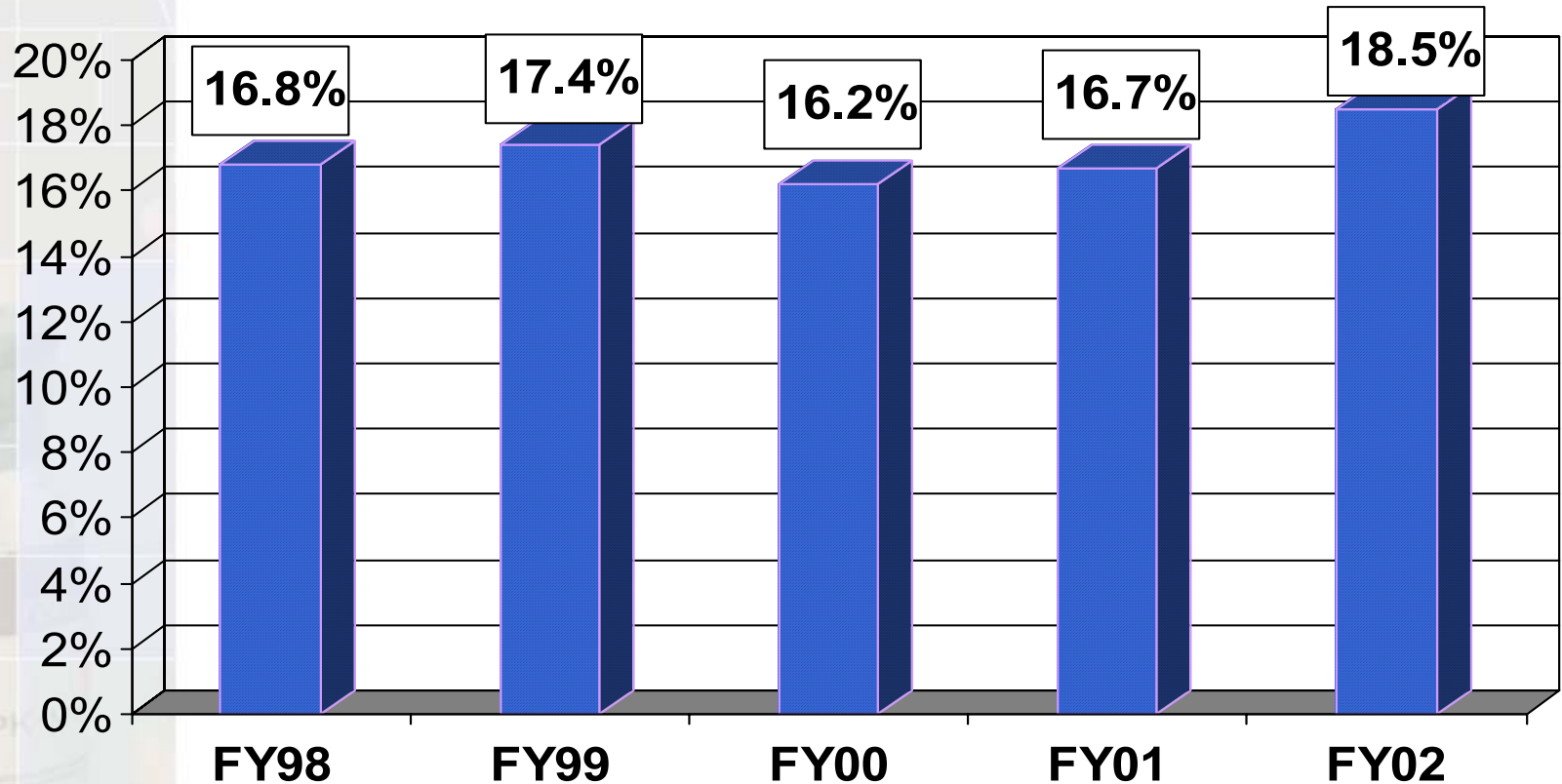


Source: PacificSource Health Plans

Drug Trend Report

Percentage Change in Rx Costs

Per Member / Per year



Source: Express Scripts June 2003

What Drives Rx Cost?

@ Price

- Drug price inflation
- Volume discounts
- Dispensing fees

@ Product

- New brand drugs
- Biotechnology
- Physician behaviors

@ Utilization

- Demographics
- Consumer demand
- Prescriptions per member
- Days supply per Rx

@ Plan Design

- Co-pay structures
- Deductibles
- Out of pocket maximum
- Generic substitution

Controlling Rx Costs

Ⓢ Cost Saving Techniques

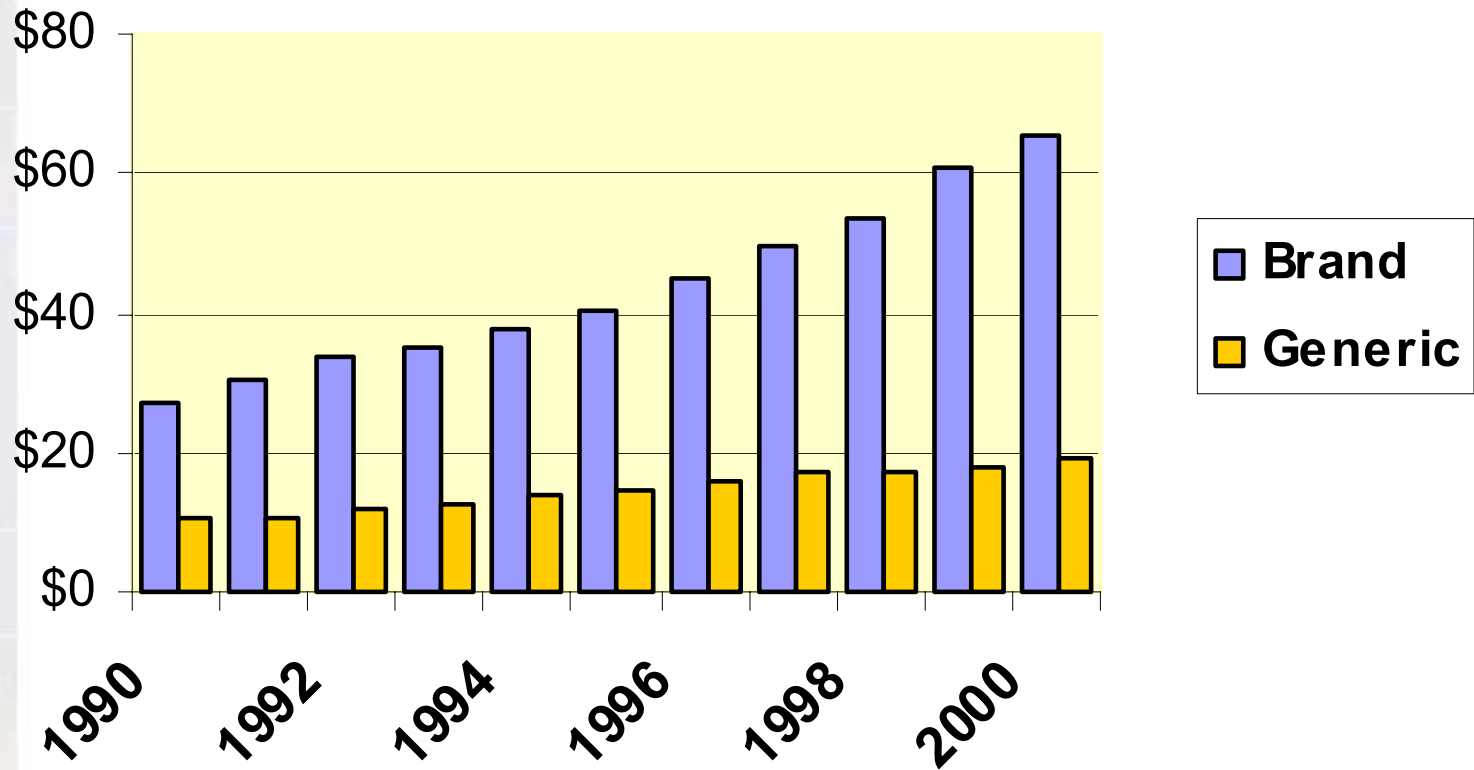
- ➡ Plan Design
- ➡ Managing Your Plans
- ➡ Prevention & Disease Management
- ➡ Employee Communications
- ➡ Employee Information on Price and Effectiveness



Cost Savings Techniques

PLAN DESIGN

Brand vs Generic Rx costs



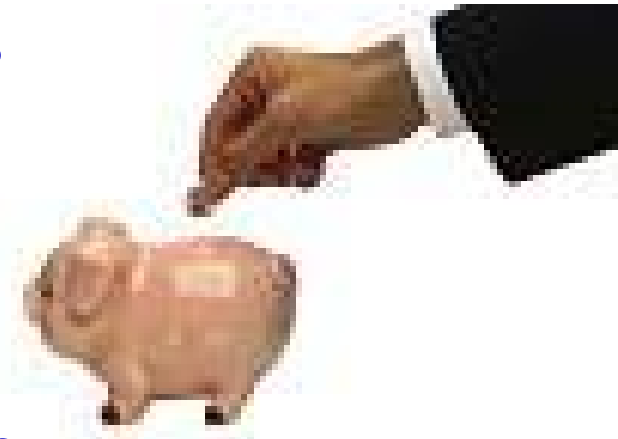
Source: IMS Health

Cost Savings Techniques

PLAN DESIGN

④ Create Incentives for Lower Cost Drugs

- ➡ Co-insurance not co-payments
- ➡ Tiered Co-insurance:
generic/preferred/premium
- ➡ Mandatory generic substitution
- ➡ Drug coupons for generic & preferred brands





Cost Savings Techniques

PLAN DESIGN

@ Co-Insurance vs Co-Payments

➡ Use for both retail and mail order

20% vs \$20

- Make consumer & provider aware of cost of drugs and Rx alternatives
- Keep up with inflation

Cost Savings Techniques

PLAN DESIGN

④ Sample Tiered Co-Insurance

- ➡ Generic – 10%
- ➡ Preferred Brand – 20%
- ➡ Premium Brand – 25%

Cost Savings Techniques

PLAN DESIGN

BCBS of Michigan

➡ Generic substitution program

- Generic Rx consumer awareness program
- Consumer coupons for generics
- Website with brand/generic prices

➤ Average brand Rx = \$80

➤ Average generic Rx = \$20

**Generic Substitution saved BCBS
\$97 million 2001 – 2003**



Cost Savings Techniques

PLAN DESIGN

- ④ Generic/Preferred Brand Drug Coupon Program
 - ➡ Designed to promote the use of safe and effective lower cost medications
 - ➡ Drugs not available as samples because of their low price or generic drug status
 - ➡ Sample program: fill a new prescription for a 30 day supply of a generic or preferred brand, **zero co-payment.**

Sample Rx Coupon Program

Generic & Preferred Brand

30 day supply No co-payment
(Drugs Selected by the Health Plan)

Drug Name

Indication

- Fluoxetine 20mg #30.....Depression
- Glyburide 5mg #30.....Diabetes
- Hydrochlorothiazide 25mg #30.....High Blood Pressure
- Altacor 40mg #30.....High Cholesterol
- Naproxen 500mg #60.....Pain/Arthritis
- Astelin Nasal Spray.....Sinus/Allergies
- Ranitidine 150mg #60.....Ulcer



Cost Savings Techniques

PLAN DESIGN

Ⓢ Generic & Preferred Brand Drug Coupon Program

- ➡ Plan members take coupons to providers
- ➡ Provider writes new Rx
- ➡ Take Rx to pharmacy with coupon
 - Zero Co-pay applies to new Rx
 - Refills subject to co-pays/co-insurance



Cost Savings Techniques

Manage Your Health Plans

🌐 Partner with Your Carrier

- ➡ Negotiate Rx discounts**
- ➡ Use a Formulary**
- ➡ Require Pre-authorization for certain high cost drugs**
- ➡ Drug Utilization Review**
- ➡ Implement Disease Management Programs**



Cost Saving Techniques

Disease Management Programs

④ National Business Coalition on Health –
**Health Smart - Employer Disease
Management Programs**

- ➡ **Stroke**
- ➡ **Hypertension**
- ➡ **Breast Cancer**
- ➡ **Depression**
- ➡ **Cholesterol**

<http://www.nbch.org>

Cost Savings Techniques

Employee

Communication/Education

- ④ Joint Labor Management Committee
- ④ Joint Education Program

- Pharmacy Cost Trend
- Impact on Benefits
- Plan Design Changes
- Potential Savings:
Employee & Employer
- Evidence Based Research
- Rx Comparative Cost Info





Cost Savings Techniques

Employee Communication/Education

④ AARP Health Guide: Decision Support

- ➔ Information on health conditions
- ➔ Interactive tutorials on conditions and procedures
- ➔ Provider directories
- ➔ Guide to Choosing Quality Healthcare

<http://www.aarp.org/health/healthguide>



Cost Savings Techniques

Evidence Based Research

Q. Does spending more on your drugs result in better outcomes?

A. Not necessarily!

Q. Are there effective alternatives that cost less?

A. Probably!

See the results of Oregon's Evidence Based Research Program: <http://www.oregonrx.org>



Cost Savings Techniques

Evidence Based Research

- ④ **Oregon contracts with the OHSU Oregon Evidence-based Practice Center**
 - Evidence-based review of all literature available on specific drug classes
 - No evidence that one drug more effective for most conditions
- ④ **Oregon Health Resources Commission reviews reports & determines which drugs are most safe and effective.**
 - One-page summaries of the HRC reports available for consumers.



Cost Savings Techniques

Evidence Based Research

④ 12 drug classes reviewed, including:

- ➡ Ace Inhibitors
- ➡ Beta Blockers
- ➡ Estrogen Therapy
- ➡ Cholesterol Lowering Drugs (Statins)
- ➡ Ulcer & GERD Drugs
- ➡ Opioid Non-cancer Pain Drug

<http://www.oregonrx.org>



Cost Savings Techniques

Information on Cost and Effectiveness

Ⓢ “Prescription Drug Guide to Cost & Effectiveness”

- ➡ **Helps evaluate both cost & effectiveness**
 - Uses results of Evidence Based Research Program
- ➡ **Arranged by drug classes**
 - Most classes: no difference in effectiveness
- ➡ **Shows comparative prices for drugs in each class**

<http://www.oregonrx.org>



Cost Savings Techniques

Information on Cost & Effectiveness

Ⓢ **AARP website: <http://www.aarp.org/or/rx>**

➡ **Information on Oregon's Evidence Based Research Project**

- Consumer-friendly summaries of the research for each category studied
- Lists drugs in each category with brand names and generic equivalents
- Lists average price for 30 day supply

Read, Compare and Consult



Cost Savings Techniques

Information on Cost & Effectiveness

🌐 **Consumer Reports Best Buy Drugs**
website: <http://www.crbestbuydrugs.org/>

- ➡ **Public Education Project**
- ➡ **Compares the effectiveness and costs of prescription drugs**



Cost Savings Techniques

Information on Cost & Effectiveness

🌐 Regencrx.com website

- ➡ Preferred Medication Alternatives
- ➡ Consumer Education Material
- ➡ Rx Price Guide

<http://www.regencrx.com/learn/rxPriceGuide/index.html>

RESOURCES

➡ **Oregon Health Resources Commission**

<http://www.oregonrx.org>

Learn more about Oregon's Evidence Based Research process

➡ **AARP Oregon**

<http://www.aarp.org/or/rx>

Guide to best choices of prescription drugs at the best price

<http://www.aarp.org/health/healthguide>

Health decision support

RESOURCES

➡ **Consumer Reports Best Buy Drugs**

<http://www.crbestbuydrugs.org/>

Learn about drug costs and effectiveness

➡ **Regence**

<http://www.regencerox.com/learn/rxPriceGuide/index.html>

Prescription drug price guide and consumer education

➡ **Oregonians for Health Security**

<http://www.oregoniansforhealthsecurity.org>

Health care coalition supporting access to health care