SPONSORED SUPPLEMENT

Medication MANAGEMENT

SUPPORTING PLAN MEMBERS' AND EMPLOYERS' BOTTOM LINES

ABOUT

Medication Management is an educational series that takes a closer look at maximizing plan sponsors' investment in drug benefits plans, which includes supporting plan members to be healthy while continuing to protect plan sponsors' bottom line.

Specialty medications can significantly improve plan members' health, but may also have a large impact on private drug plan budgets. As more specialty medications become available for a wider variety of chronic conditions, the balance between appropriate access and appropriate coverage becomes more challenging. Through their patient support programs, pharmaceutical manufacturers seek to help maintain that balance by ensuring that patients meet Canadian clinical guidelines, by supporting adherence to medications and by helping patients navigate reimbursement options.

This installment of *Medication Management* seeks to prompt additional discussion about the evolution of drug plan design to better accommodate specialty medications, and the roles of benefits advisors and insurance carriers to help plan sponsors define and evaluate the objectives of their drug benefits plan.

Canada's largest pharmacy benefit manager, TELUS Health, takes a closer look at managed formularies as a strategy to contain costs while maintaining value in private drug plans.

Managed formularies

Seeking more value from drug plans

As more high-cost specialty drugs enter the market and as chronic disease drives the utilization of non-specialty drugs, plan sponsors and benefits providers look increasingly to cost containment options to protect drug plan sustainability. A managed formulary is one option that is garnering increased attention—and in so doing has raised the level of debate around access to medications.

"Plan sponsors don't want to deny access to drugs, but on the flip side they have to manage their spend to ensure sustainability. These are two competing drivers and it's important for plan sponsors to find the right balance, one that aligns with their philosophy for drug plans and employee benefits overall," says Karen Kesteris, director, payor solutions, TELUS Health.

For some, a managed formulary may be key to finding that balance. A properly designed managed formulary is not about denying or restricting access based on cost; it's about managing utilization based on a broader determination of value (considering efficacy, safety and other factors relative to cost).

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Pharmacoeconomics in a nutshell

Pharmacoeconomic analysis attempts to get at the heart of value by bringing numerous factors, in addition to the cost of the drug, into the equation.[1] Using globally accepted standards, it translates the drug's expected outcomes (e.g., impacts on hospitalization rates, disability claims and quality of life) into mathematical variables that are considered alongside the traditional variables of cost and clinical efficacy.

Pharmacoeconomics is especially useful when multiple drugs with different price points are available to treat one condition, because it can relate differences in costs with differences in effectiveness. When pharmacoeconomic analysis is included in the review criteria, managed formularies can better categorize multiple drugs based on a broad definition of value. As a result, a higher-cost drug may qualify for the highest level of coverage because its superior effectiveness is expected to deliver greater value (by lowering the risk of workplace absence, for example).

1. For an easy-to-read overview of pharmacoeconomics, refer to "Pharmacoeconomics: Bringing value to the table." TELUS *Perspectives*, Fall 2016. Accessible at: **https://www.telushealth.co/item/pharmacoeconomics-bringing-value-table**

What is a managed formulary?

Unlike an open formulary, which automatically covers all drugs requiring a prescription, a managed formulary covers drugs based on a set of review criteria. Some managed formularies may provide zero reimbursement for a given drug, while others always provide at least some reimbursement (see chart, **Types of formularies**).

In all cases, however, "a well-designed managed formulary always makes sure plan members have at least one covered option to treat the most common conditions," says Jayson Gallant, pharmacist, TELUS Health. "If a drug is excluded from coverage it generally means that other drugs are available that provide better value."

While managed formularies can use a range of criteria, the three mainstay variables are typically clinical efficacy, safety and cost. In recent years, pharmacy benefits managers and insurance carriers also have been including a pharmacoeconomic analysis, which considers a drug's various impacts on other costs (e.g., hospitalization, disability) as well as on quality of life (see sidebar).

Current environment in Canada

While a few private drug plans in Canada currently use managed formularies, "we anticipate this will increase as we are seeing more and more interest from plan sponsors, as well as benefits consultants talking about it with their clients," notes Gallant.

Alan Kyte, senior pharmacy consultant, Willis Towers Watson, would certainly attest to that. "In the past year I've had more discussions about managed formularies with clients than I ever have."

Offerings from insurers and pharmacy benefits managers help fuel interest and facilitate implementation. "The fact that there are more formulary options will lead to more utilization," expects Kyte.

Adoption, however, will continue to be gradual. While interest may be growing, "the concern is always about disrupting plan members. No one wants to be seen as dictating therapy," says Kyte, adding that some of the uptake today is from clients with U.S. parent companies, where managed formularies are more the norm.

"Plan sponsors are interested and some are running plan simulations to quantify potential savings, but many are concerned about plan member impact and experience," agrees Kesteris. The biggest concern by far, expressed by both plan members and plan sponsors, is that people may lose coverage for some drugs.

Getting the right word out

Strategic, targeted communication is critical to diffuse misconceptions concerning coverage and enlist plan members' buy-in into the value-based objective of managed formularies. "Employees must be educated on the sustainability challenges facing their drug plan—a managed formulary ensures continued access to needed therapies while managing costs at the same time," says Gallant.

Communication must also be constant and multi-faceted to reduce the risk of disruption at the pharmacy. "People tend not to listen until something affects them directly so the more communication the better. That way plan members at least have a heads-up when they go to the pharmacy," says Kyte. "If they know what type of formulary they have or even the name of their carrier, that can help pharmacy staff make better decisions if therapy changes are required."

Plan member awareness is especially important for multi-tier formularies. While plan sponsors may opt for multiple tiers because they feel this would be easier for employees to accept—since all drugs are still covered, just

at different levels—the risk for confusion among plan members still remains when it comes time to pick up prescriptions at the pharmacy. "We've found that multi-tier formularies can be more disruptive when pharmacists don't have enough information to navigate changes to a preferred tier. A single tier in the end may actually be less disruptive," says Kyte.

Data analysis also enables some carriers to identify the claimants most affected by a managed formulary. "It's really important to do an analysis of the predicted impact so plan sponsors can tailor their communications to specific employees who are taking specific medications, including direct communications to employees through their carrier," says Kesteris.

Points to consider

As more managed-formulary offerings become available in the market, here are some key questions for interested plan sponsors to consider:

- Does a managed formulary help meet objectives for the drug plan?
- What criteria are included in a drug review?
- What are the quantified savings?
- Is there a process for exceptions?

In the end, the decision to incorporate a managed formulary as part of cost-management efforts comes down to the plan sponsor's philosophy, or main objective, for health benefits. Proponents would say that a managed formulary is part of a natural progression of available measures—such as generic substitution and prior authorization provisions—that not only help control costs but also engage plan members to be more accountable consumers of their benefits plan.

In Kyte's experience, the positives of a well-designed and executed managed formulary far outweigh the possible negatives. "I can't think of a situation where there hasn't been savings. Not a single client has reversed their decision to put in a managed formulary."

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>
> *–Jayson Gallant, Pharmacist*

Types of formularies

Type	Description
Open (also known as traditional or prescription-by-law)	• Covers virtually all prescription drugs automatically upon market launch • Standard exclusions are by drug class, for example, for lifestyle drugs (for weight loss, erectile dysfunction, etc.) • Some cost-containment measures may apply, depending on plan design (e.g., co-pays, generic substitution, prior authorizations)
Single-tier managed	• All drugs reviewed to determine whether or not they will be covered • Reviews for new drugs typically require several months • Excluded drugs receive no coverage • Exclusions are specific to the drug and reflect that the drug provides no added value compared to other drugs already available on the formulary, based on review criteria • Other cost-containment measures (e.g., co-pays, generics, etc.) likely already in place
Multiple-tier managed	• All drugs reviewed to determine level of coverage • Reviews for new drugs typically require several months • Typically there are two tiers, possibly three; tier-one or "preferred" drugs receive highest level of coverage (could be as high as 100%, depending on plan sponsor) • Lowest tier often provides some coverage rather than none • Lowest-tier drugs are deemed to provide no added value compared to other drugs already available, based on review criteria • Other cost-containment measures (e.g., co-pays, generics, etc.) likely already in place