

Formulary Design: Balancing Cost and Access

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Agenda

The Evolution of Part D Plan Formularies

- Classification systems
- CMS review criteria
- Timing of formulary changes
- B vs. D

Plans' Formularies Must Meet CMS Guidelines

- Plans must provide choices of medications
 - Must include at least two drugs in each category that are not therapeutically equivalent and bioequivalent
- CMS must determine that a plan's categorization scheme is not discriminatory against certain types of patients
- Plans will resubmit formularies and bids for approval by CMS every year

Potential Plan Benefit Management Tools

- Formulary Management:
 - Prior Authorization
 - Step Therapy
 - Tier Placement
 - Generic Substitution
 - Therapeutic Equivalent Substitution
- Clinical Programs
- Cost Sharing
- Mail Service vs. Retail

Formularies Can Be Changed During the Plan Year

- Formularies can be updated at certain times throughout the year
 - Medicare P&T committees will meet quarterly to consider changes to the plan's drug list
 - Therapeutic categories will be reviewed annually
 - Formularies cannot be changed between November 15 and March 1 of each year (during open enrollment period + 60 days after)
- CMS must approve all formulary changes

How Will Part D Plans Look At Formulary Development?

- Decision hierarchy:
 - What category or class does drug fall?
Competitors?
 - Does drug have specific indications that are relevant to the population?
 - May use disease management, prior authorization to manage drugs for certain indications
 - Does drug have special use considerations (e.g., therapy after generic drug has failed)
 - May use step therapy, specify only certain dosages/quantity
- Decision drivers

Evidence of care

The Future: Product Positioning

- What happens if a drug with multiple competitors in a category or class does not make it on formulary?
 - Demonstrate cost effectiveness
 - In and among the elderly/disabled patient population
 - Demonstrate superior clinical outcomes
 - In and among the elderly/disabled patient population
 - Request additional tiers or placement via benefit management tools (e.g., step therapy ⁷ advantages)

Medicare Part D and the Benefit Design Options

1. Standard Rx Drug Coverage

- Minimum benefit design defined by law to be acceptable for providing Part D Rx drug coverage
- Basis for comparison across plans offered by different sponsors

2. Alternative Rx Drug Coverage (*basic or enhanced*)

- Must be at least actuarially equivalent to the standard benefit
- Actuarial tests and options for plan configuration vary for different benefit

Key Questions

What do we know about plan offerings today?

- Formulary and Benefit Design

What should we anticipate on January 1, 2006 and beyond?