

A dynamic, clinically sound approach designed to ensure safe, highly accessible, and cost-effective drug utilization

At UPMC Health Plan, we understand that innovation creates the bedrock for health care solutions. That's why we embrace innovation in providing our members with the best health care from the region's premier physicians. This approach is also evident in the decisions we make regarding newly introduced drugs. A team of medical and pharmacy experts reviews every new drug and makes independent, objective coverage decisions. This sound approach ensures our members will get the best possible health care coverage.

In all pharmacy decisions, the protection of the patient's health and safety is the primary goal.

The Team

Our pharmacy decisions involve the following team members:

- UPMC Health Plan pharmacists
- UPMC Health Plan physicians
- Nationally recognized experts from the University of Pittsburgh Medical Center (UPMC)
- Hospital and community pharmacists
- Community physicians

Decision Making

The decisions we make regarding drug coverage are not made in a vacuum. The team members listed above come together in a group called the UPMC Health Plan Pharmacy and Therapeutics Committee (P&T). The committee meets quarterly, and all primary decisions on drug coverage are subject to debate during these meetings. Final decisions are made during open voting by committee members.

The Challenge and the Opportunity

The challenge in an environment of ever-escalating health care costs is to use

evidence-based medicine to create a high-quality pharmacy formulary that is also affordable. Well-managed formularies that have a strong generics component can capitalize on the following opportunities:

- More than \$40 billion in drugs will go generic from 2008 through 2011.*
- \$8.8 billion could be saved each year in the United States if there were a broad substitution of generic medications for brand drugs.†

"Economists say the slowdown (in drug cost inflation) has come about because more people are turning to generics."

Source: *New York Times*, Sept. 21, 2007, nytimes.com

Formulary Philosophy

UPMC Health Plan has created a multitier formulary that offers incentives for members to use generic drugs when available and "preferred" brand drugs when generics are not available within a therapeutic category. Lower copayments for generic drugs save money for members without sacrificing care or quality. Failing to create options such as low-cost generics could have serious consequences. Without cost controls, pharmacy as a managed care benefit could disappear.

Our formulary has the flexibility to exclude certain drugs when there are proven, cost-effective alternatives. Our P&T Committee also avoids a "jump-on-the-bandwagon" mentality with new drugs (sometimes encouraged by aggressive consumer advertising), preferring instead to carefully review evidence before deciding whether to place any drug on the formulary.

"The rise in costs of prescription medicines affects all sectors of the health care industry, including private insurers, public programs, and patients."

Source: Kaiser Family Foundation (kaiseredu.org)

To actively manage our formulary and ensure appropriate use, we employ utilization-management tools such as quantity limits, prior authorization, and step therapy. These controls are increasingly necessary:

- Nearly 70 percent of all prescription drugs approved by the FDA from January 2006 to July 2007 provided "no additional value" over existing products, according to experts in evidence-based medicine.▲
- 20 percent of the 725 million prescriptions written in the United States, according to a 2006 study, were used to treat conditions not noted on the drugs' labels.❖

Making the Hard Decisions

Making difficult choices as we consider the needs of all of our stakeholders comes with the territory. UPMC Health Plan manages all drug classes to take advantage of effective alternatives to expensive drugs or to steer members away from medications that are not medically necessary. The Health Plan also has managed its formulary to direct members away from "me-too" drugs that tend to be new, expensive, and virtually the same in clinical quality as an established drug. In all decisions, the Health Plan is adamant in protecting member safety and being good stewards of the limited resources available.

Cost efficiency examples:

- **Sleep Aids:** Drugs designed to help people sleep have become big business. With major advertising aimed at consumers and billions of dollars in sales, it's no wonder patients demand the latest cure for sleeplessness. The Health Plan, with P&T Committee involvement, kept expensive new drugs off the formulary, directed members toward effective alternatives and generics, and limited the quantity of these drugs that members can receive.
- **PPIs:** When a major proton pump inhibitor – proven to be effective – became available as an over-the-counter drug, the Health Plan was ready with a plan that included coverage of the OTC drug at a generic copayment and a step therapy approach that mandated a trial of the OTC drug before brand alternative drugs could be covered. The result was significantly reduced cost trends for the Health Plan's PPI category as compared with industry averages and reduced average copayment levels for members.
- **Designer Narcotics:** Designer narcotics are not covered because they offer little or no therapeutic value over commercially available generic alternatives while presenting a high potential for abuse. This group of narcotics offers dosage, delivery, or strength options for convenience, while using the same active ingredients as long-established narcotics. The Health Plan's decision: High-cost designer narcotics are not covered, while good cost-efficient alternatives remain available with appropriate quantity limits to decrease the risk of abuse. Some patients saved hundreds of dollars per year in reduced copayments.

These are examples of how intelligent formulary design helps keep the pharmacy benefit affordable for plan sponsors and our members.

For More Information

Provider Services: 1-866-918-1595
Pharmacy Services: 1-800-396-4139

- * 2006 Express Scripts Drug Trend Report.
- † Annals of Internal Medicine, June 2005.
- ▲ Drug Benefit News, November 2007.
- ❖ Archives of Internal Medicine.