

Sticking to the formula

How formulary design can help your health plan be more cost-effective **Interviewed by Matt McClellan**

A formulary is a list of prescription drugs, both generic and brand name, that are available through your health plan. Having a well-designed formulary is a huge benefit to companies, because the employees that subscribe to the plan will have a strong mix of quality and affordability to choose from with their prescription drugs.

“With an intelligent formulary design philosophy, you can ensure your plan adheres to a disciplined, conservative approach to new drugs rooted in evidence-based clinical data,” says Chronis Manolis, vice president of pharmacy services for UPMC Health Plan.

Smart Business learned more from Manolis about how intelligent formulary design works and how it can help your company be more cost-effective.

What is intelligent formulary design?

Ideally, a drug formulary should provide quality for patients through availability of medications that maximize value relative to costs. High quality that is also affordable is the goal of intelligent formulary design. When the formulary is multi-tiered, with selective non-covered categories, it offers members incentives to use generic drugs when available and ‘preferred’ brand drugs when generics are not available within a therapeutic category.

Why is it important that a formulary have a strong generics component?

By having a strong generics component, formularies can be poised to take advantage of opportunities such as the expected \$60 billion in brand drugs that will go generic through 2012. An estimated \$8.8 billion could be saved if there were a broad substitution of generic medications for brand drugs, according to a report published in *Annals of Internal Medicine*.

How does an intelligent formulary operate?

A panel of experts determines which drugs will be on the formulary. The panel of experts reviews new and existing medications based on safety and clinical effectiveness. Once clinical effectiveness is established, the committee then selects the most cost-effective drugs in each therapeutic class. A therapeutic class is a group of medications that treat specific health conditions or work in a certain way, such as beta blockers used for the treatment of various cardiovascular



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conditions.

Making decisions of this kind is not always easy or automatic. Many times, when a new drug is introduced it gets a lot of attention. Much of that attention comes from aggressive direct to consumer advertising. In many instances, there is pressure put on a health plan to ‘jump on the bandwagon,’ so to speak, and add the drug to its formulary.

However, with an intelligent formulary design philosophy, you can ensure your plan adheres to a disciplined, conservative approach to new drugs rooted in evidence-based clinical data before deciding to add any drug to its formularies.

Can making tough decisions of that kind make a health plan unpopular with its members and with physicians?

Making difficult choices comes with the territory. If you are committed to the highest quality, cost-effective drug formulary with the goal to leverage effective alternatives to expensive drugs or to steer members away from medications that are not medically necessary, then your decisions will not always be universally popular.

For example, if your formulary philosophy is to manage ‘me-too’ drugs — new drugs that are introduced that are virtually the same in clinical quality as an established drug — then

initially this can be perceived as a barrier. However, the reality is that this will eliminate waste, helping a health plan be a good steward of the limited resources available.

How are formulary decisions made?

There are different models that can be employed. At UPMC Health Plan, for instance, the decision on which drugs to include on the formulary is made by our Pharmacy and Therapeutics (P&T) Committee. Our P&T Committee consists of primary care physicians, specialists, and pharmacists from a variety of practice settings with expertise in many different therapeutic areas.

It’s important to staff the committee with professionals with different specialties and viewpoints, because the diversity of a P&T committee provides the proper foundation for an objective decision-making process. A P&T committee should make decisions based on the strength of published clinical evidence and clinical practice experience.

And as in all pharmacy decisions, the protection of the patient’s health and safety must be the primary goal.

What are some examples of how a formulary can be cost-effective?

Well, take the category of sleep aids. Drugs that are designed to help people sleep have become big business in recent years. With major advertising aimed at consumers and billions of dollars in sales, many patients believe that these aids will provide them with the latest cure for their sleeplessness. But, in many cases the new drug is no more effective than others already on the market. By keeping clinically equivalent, new sleep aids off a formulary, and by directing members to effective alternatives and generics, you can limit access to the new drug. As a consequence, you also hold down costs without sacrificing care quality.

Another example would be branded narcotics. In many cases, they offer little or no therapeutic value over commercially available generic alternatives, while also presenting a high potential for abuse. But because there are good cost-efficient alternatives available, you can keep high-cost branded narcotics off the formulary and save members money in reduced co-payments while potentially decreasing the risk of abuse. <<

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