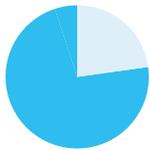


# Get the most out of your pharmacy benefit.

The ins and outs of managing pharmacy costs (and how the right information can lead to big savings).

Learn more about the Artemis Platform at:

[artemishealth.com](http://artemishealth.com)



Nearly 77% of employers **spend over 16%** of their total healthcare budget on Rx benefits...



while roughly 5% spend **more than 30%** on Rx.

High drug prices affect everyone: those who pay out-of-pocket, those with private insurance, and employers. And while overspending is a concern for any business, for self-insured employers specifically, pharmacy overspend can mean the difference between a healthy benefits program and dollars being left on the table.

Even the most well-managed pharmacy benefits programs face overspending on their prescription drug costs. According to the 2015 Prescription Drug Benefit Survey from Buck Consultants at Xerox, employer benefit pharmacy costs continue to increase as a percentage of total healthcare costs. Approximately 77% of employers spend 16% or more of their total healthcare budget on pharmacy benefits for their employees, with nearly 5% of employers spending more than 30% of their healthcare budget on pharmacy.<sup>1</sup>

Fortunately, controlling pharmacy overspend is one of the easiest ways to reduce medication costs for both self-insured employers and employees alike. In this whitepaper, we'll cover everything you need to know to understand what goes into determining prescription drug costs, and what you can do to take control of those costs for your organization.

## The cost of pharmacy benefits can be a bitter pill to swallow.

To combat runaway pharmacy costs, you've likely invested in a third-party Pharmacy Benefits Manager (PBM) to monitor and control your organization's prescription expenditures.

<sup>1</sup> <https://www.news.xerox.com/news/5th-Annual-Buck-Consultants-at-Xerox-Prescription-Drug-Benefit-Survey>

### Key functions of a PBM:

- Formulary management.
- Prior authorizations.
- Pharmacy network management.
- Claims adjudication and payment.
- Managing rebates.

You're not alone. Employers with PBMs cite "pricing competitiveness" as a primary benefit of these service providers.<sup>ii</sup>

These PBMs handle a variety of tasks, from competitive bidding to formulary management, to claims adjudication. Simply put, they act as an intermediary between the payer and everyone else in the healthcare system. They generally make money through service fees from large customer contracts for processing prescriptions, operating mail-order pharmacies, and negotiating with pharmacies and drug makers.

Today, the contracts of many PBMs can include incentives for cutting costs, either by increasing patient compliance, better managing drug formularies, or analyzing the comparative effectiveness of prescribed medication. They are also helping employers manage spending on expensive specialty drugs.

This is great news for self-insured employers who aim to provide valuable benefits programs in the most cost-efficient way possible. The benefits increase further when employers can dig into their own pharmacy data and work closely with PBMs to optimize costs and benefits.

<sup>ii</sup> <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/rx-drug-spending.aspx>

### Finding the right formula for your business:

## A brief overview of how formularies work.

Formularies are a listing of drugs and rules that are designed to control and steer drug selection in an effort to avoid unnecessary overspend. Formularies are typically created by the PBM; however, they can also be created by employer groups, healthcare plans, or even consultants. Ideally, businesses and PBMs work closely together to reduce avoidable pharmacy costs. Here are a few things to keep in mind:

- **A medication coverage list** includes medications that are always covered, never covered, and covered on a restricted basis.
- **Copay levels** can be tiered or percentage based, and can be utilized to encourage patients to select more affordable generic medications.
- **Prior authorizations** require a prescriber to justify the administration of the medication.
- **Step therapy** authorizations simply require that a lower-cost drug agent be tried first.
- **Quantity limits** are a way to prevent overutilization of a medication to prevent hoarding or stockpiling of medications.
- **Gender/age edits** help ensure medications designed to treat a certain gender or age are used appropriately.



# Three types of medication (and how they each impact your pharmacy costs).

You already know that pharmacy overspend can be one of the biggest risks to your benefits program. But what goes into all of these pharmaceutical costs? Much of it depends on the type, dosage, and brand of the medication being dispensed.

Traditionally, prescription drugs fall into three categories: traditional pharmacy, specialty medications, and compound medications. Understanding how each type of drug is administered, priced, and distributed, and seeing that information in context with your other essential pharmacy data, is essential to keeping costs low.

## 01 Traditional Pharmacy

Here are a few examples of how PBMs and self-insured employers can work together to optimize traditional pharmacy costs when they both have access to the same pharmacy data.

### **Change the route of administration.**

Using or promoting medication formulations that simply get into the body's system in a different way can significantly reduce your pharmaceutical spend.

EXAMPLE:

Sleeping medication: \$65/year vs. \$2,200/year

Generic version (swallowable tablet form): **\$65/year**

Reformulated with same active ingredients (dissolved under tongue):  
**\$2,200/year**

### **Change the release mechanism.**

Sometimes, saving costs is simply looking for the same medication with a different release mechanism. Choosing the most cost-effective option



**Eight medication details every business should ask from their PBM.**

- Drug name
- Strength
- Number of prescriptions
- Quantity dispensed
- Days' supply
- Costs
- Patient copay
- Paid amount or total cost

of the same drug, that works in the same way regardless of how it's released, can help keep drug costs low.

EXAMPLE:

ADHD medication: \$500-600/year vs. \$2,000/year

Immediate-release product: **\$500-600/year**

Sustained-release product, option 1: **\$500-600/year**

Sustained-release product, option 2: **\$2000/year**

### **Combine medications.**

Combining occurs when one or more medications are combined into the same tablet. Simply breaking out the same medications into two equally effective prescriptions can help keep costs low.

EXAMPLE:

Heart medications: \$75/year vs. \$1,750/year

Taken as separate tablets, generic: **\$75/year**

Taken as a single combined formula pill, generic: **\$1,750/year**

### **Change brand, packaging, or dosage.**

Differing packaging and strengths for medications used to treat multiple diseases are often priced differently, depending on branding or packaging and dosage strength. Often, cost savings can be found by simply substituting the same drug with different branding, or combining lower cost dosage strengths to administer the same medication.

EXAMPLE:

Alzheimer's medication: \$25/year vs. \$3,500/year

5 and 10mg tablets, taking in combination to reach 23mg dosage:  
**\$25/year**, per prescription

23mg tablet, taken as a single dosage: **\$3,500/year**



### Isomer substitutions.

Since most drugs are complex molecules, they come in isomers. For most medications, one isomer is active while the other isomer does little to nothing. Some manufacturers have removed the inactive isomer, which results in a new drug patent, and increases the cost of the drug.

EXAMPLE:

Stomach medication: \$25/year vs. \$2,600/year

Mixed isomer with active and inactive ingredient: **\$25/year**

Active isomer with active ingredient only: **\$2,600/year**

### Therapeutic substitutions.

Therapeutic substitution has the greatest potential for cost savings. Medications that affect the body in a similar way and are chemically related to one another are put in similar categories called drug classes. Many expensive medications have more cost-effective “cousins” that work in the same way.

EXAMPLE:

Cholesterol medication with same end-effect:  
\$40/year vs. \$2,700/year

One “cousin” drug: **\$40/year**

Second “cousin” drug: **\$2,700/year**

## 02 Specialty Medications

Those with complex, serious health conditions are familiar with specialty medications. These drugs are used to treat chronic, catastrophic illnesses, such as multiple sclerosis, rheumatoid arthritis, and some forms of cancer. They typically require special handling, administration or monitoring, and approval to order through a specialty pharmacy. And while these drugs are used by 1% or less of covered employees, they



### 3 ways to reduce specialty drug spend.

**Right diagnosis:** It's important to ensure that the patient has not only the disease for which it was intended, but the appropriate disease severity or type.

**Right quantity:** It's important to evaluate and compare the price of various dosage strengths, which can result in thousands of dollars of daily savings per prescription.

**Right therapy:** It's important to closely monitor the duration of therapy to avoid expensive prescriptions being overfilled.

represent 20% or more of pharmacy plan costs.<sup>ii</sup>

To manage specialty drug costs, many employers have established utilization management programs, or step-therapy protocols. Yet, despite the known high cost of specialty medications, more than 30% of survey respondents did not know how much of their drug spending was attributed to them.

Benefits data analytics tools should be designed to identify specialty medications so employers and health plans can focus on what would work best to control pharmacy spend while still providing medications to patients that require these expensive medications.

## 03 Compounded Medications

Compounded medications are medications that have not been approved in their final form by the Food and Drug Administration (FDA). Rather, these are medications that are compounded by certain pharmacies into formulations that either mimic FDA approved medications or provide a drug in a format that is not commercially available on the market. For example, bulk powder medications can be mixed into creams or capsules. These medications often don't have clinical trials to support their efficacy and safety.

Most PBMs have a list of compounded drugs to prevent high-cost utilization. However, these lists are not always complete. That's why it's important to identify the active and inactive ingredients in every type of medication, and find suitable alternatives that will provide the same health benefit while avoiding waste in pharmacy spend.

The right benefits analytics tool will help you take an in-depth look at not only the active ingredients, but the inactive products used in compounds to identify potential waste in the pharmacy spend that may have slipped through the cracks. —

The Artemis Platform gives self-insured employers a clear view of their benefit programs. Via Artemis apps employers can work with their PBMs to identify Rx overspending, find potential solutions, and deliver cost-effective benefits for employers.



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