

Containing Costs through Formulary Management

Pharmacy benefit managers (PBMs) are gearing up for 2019, which means updating their formularies. Express Scripts has already announced the updates to its 2019 National Preferred Formulary. Optum has followed suit as well for its Premium and Select Formularies. Caremark is expected to follow suit in the coming weeks. There is no shortage of debate around the choices PBMs make with their formularies. Our goal is to help you make the best possible decisions in light of the PBMs' announcements. A formulary management strategy is necessary to ensure that drugs the plan and members are paying for have the highest clinical value for the lowest possible net cost.

What is a formulary?

At its core, a formulary is a list of preferred drugs that offer the greatest overall value, both clinically and financially. Formularies are designed to influence drug product selection to encourage patients and their prescribers to choose safe, medically appropriate and cost-effective medications. For a formulary to be effective, it's important that it's optimized to meet the goals and needs of both the members who need the medications and the employers who are paying the bulk of the pharmacy costs.

Why optimize a formulary?

Formularies are complex due to the ever-changing pharmacy industry. Pharmaceutical manufacturers frequently release new drugs, update existing drugs, and modify the prices of their drugs. In addition, each employer has members with different needs requiring drug accessibility. Rebates may vary depending on the specific drug utilization occurring within a plan – particularly with respect to branded and specialty medications. An optimized formulary takes all of these factors into account in order to deliver the best possible option for employers and their members.

How does formulary optimization work?

The goal of formulary optimization is to remove drugs that 1) have cheaper alternatives with different dosage forms that are equally effective, 2) are expensive fixed-dosage combinations of drugs that could be purchased as individual agents or over-the-counter (OTC) for much less money, or 3) are consistently used off-label to provide treatment for which there is little evidence of effectiveness. An effective formulary that is tightly managed provides access to clinically superior medications by eliminating medications that have no added clinical benefit or have higher costs than other equally effective medications.



How effective is an optimized formulary?

A tightly managed formulary can counter a drug makers' tactics that increase pharmacy costs. Implementing formulary strategies and removing even a small number of medications from the formulary puts the employer in control without compromising member access to needed medications. Strategies should effectively reduce prescription drug costs without compromising clinical excellence. These strategies can result in significant pharmacy cost offsets for plan sponsors.

By altering the dynamics of drug competition – maximizing use of lower cost drugs and excluding non-essential brand/generic medications – a comprehensive formulary management strategy has the potential to save plan sponsors millions of dollars. Without a properly managed formulary, plan sponsors may pay considerably more for medications, resulting in future higher cost-sharing requirements leading to a reduced benefit for members.