

# PHARMACY 101

More safety.

More savings.

More you.



## Why are my pills so expensive?

That's a good question! And Fallon Community Health Plan (FCHP) is here to help you answer it. Even better, we'd like to help keep your prescription costs down.

The cost and safety of prescription drugs are often in the news. So, in this booklet, you'll learn why drug prices keep rising and what you can do to bring your costs under control. Plus, we'll tell you what we do on our end to both hold down FCHP members' costs and help keep them safe.

### What's going on?

As you probably know, health care costs have been going up across the board, and prescription drugs are a major part of this increase. The cost of prescription drugs rises faster than the rate of inflation and the amount of money health plans spend on drugs has increased dramatically. Some of the practices of the pharmaceutical industry have a lot to do with it. Here are some facts:

- U.S. residents pay more than anyone else in the world for prescription medications. It's estimated that Americans overspend on drugs by as much as \$66 billion a year.<sup>1</sup>
- The pharmaceutical lobby, Washington's largest, spent over \$1 billion during the past ten years.<sup>2</sup>
- The United States is one of only two nations in the world that allows prescription drugs to be advertised on television.<sup>3</sup>
- A manufacturer study showed that the heavily-advertised blockbuster drug Vytorin® doesn't fight heart disease any better than an inexpensive generic medication.<sup>4</sup>
- In September 2007, the price of one drug used to treat a rare type of epilepsy in infants increased fourteenfold overnight. It now costs about \$23,000 a vial.<sup>5</sup>
- When a brand-name drug goes off-patent, it then becomes legal for low-cost generic versions to be made. So when the acid-blocker Prilosec® was about to go off-patent, the manufacturer began a marketing push to get patients to switch to Nexium®—a nearly identical drug still under patent protection. It's the same story for Claritin® (they're now pushing Clarinex®), Celexa® (they're now pushing Lexapro®) and Effexor® (they're now pushing Pristiq®), to pick just a few examples.

While these factors have a major impact on drug prices, they're not the whole story. Increasing demand for the newest treatments add to the costs. Also, many doctors and patients are simply unaware of just how much some modern prescription drugs really cost. Though older, generic drugs can often cost pennies a pill, the most popular brand-name drugs today often cost hundreds of dollars a month. And drugs for more serious conditions, such as cancer, can cost thousands. Though we can't control the prices, we can change the way we think about medication.

## What can I do to save money on prescriptions?

There are lots of things you can do!

One of the easiest ways to save is to pay attention to how your prescription drug coverage works. As you'll read in this booklet, you can help keep your costs low by working with your health insurer. Like other health insurers, FCHP works hard every day to negotiate pricing with drug suppliers. This helps hold down members' out-of-pocket costs when using medications from our **prescription drug formulary**.

## What's a formulary?

Our prescription drug formulary is one of the ways FCHP takes some of the work out of saving money. Most HMOs have one. The FCHP formulary is a list of the drugs that we cover for our members, arranged into three tiers—revealing at a glance the drugs with the lowest out-of-pocket costs. Tier 1 drugs have the lowest copayments, Tier 2 drugs are in the middle, and Tier 3 drugs have the highest copayments.

Tier 1 contains generic drugs, which have the same active ingredients and effects as brand-name drugs. Tier 2 contains cost-effective, preferred brand-name drugs. Tier 3 contains all other brand-name drugs, including newer drugs and very expensive drugs.

Often, when a doctor recommends a Tier 3 drug, there's another safe and effective drug in a lower tier that could be used. For example, suppose your doctor prescribes the statin drug Zocor® to lower your cholesterol.

The active ingredient in Zocor is the statin drug simvastatin. Simvastatin is available as a generic drug on **Tier 1** of our formulary, in the same dosage forms as Zocor. Since Tier 1 has the lowest copayment level, a prescription for simvastatin costs less. So, in this example, a simvastatin prescription **costs just \$10 to fill\***.

As a **Tier 3** drug, Zocor is covered, but at the highest copayment level. In this example, the Tier 3 copayment is \$40—so you'd pay **four times as much** to fill the prescription. Same ingredients, same dosage, same effect—at a **400% markup\***!

Sometimes, however, the best drug for you won't have a generic alternative. In this case, you can still save money. FCHP offers certain brand-name drugs, called preferred drugs, on Tier 2 of our formulary. If your doctor decided that neither Zocor nor simvastatin was the right choice for you, he or she could prescribe Lipitor®, a brand-name statin drug. Lipitor works much the same way that Zocor does—but since it is a preferred drug, it's on **Tier 2** and only **costs \$20 to fill\***.

Sometimes, there may even be an over-the-counter drug that can be used. If you take a proton pump inhibitor medication, such as Nexium, Prevacid® or Protonix®, ask your doctor if you can take the over-the-counter proton pump inhibitor Prilosec OTC® instead. Some allergy medications that were once prescription-only, such as loratadine, are now available over-the-counter, too.

\* Benefits, copayments and covered drugs may vary by employer, insurer and plan. Examples given are based on the FCHP formulary and the copayment levels commonly offered to members of FCHP's commercial HMO plans.

## I can see how generics save money. But aren't brand names better?

No—they just cost more!

Expensive brand-name drugs are advertised on television all the time. However, often these drugs don't work any better than older drugs, and may not be good choices for many people. Newer doesn't necessarily mean better for everyone.

To be approved by the FDA, generic medications must contain the same ingredients in the same amount and the same form as their brand-name counterparts. They have to be just as safe and work just as well. And if for any reason your doctor feels you need a brand-name drug anyway, as long as it's on the formulary, it's still covered.



## So the formulary is all about costs?

No, it's about much more than that. Our formulary doesn't just help you save money—it also helps keep you safe. All the drugs on our formulary have been reviewed by our own Pharmacy and Therapeutics Committee, a panel of pharmacists and physicians who review the studies, side effects and appropriate uses for each new medication that comes to the market. It's almost like having another FDA review the drug. Over the years, this committee has identified a number of potentially dangerous drugs before their release to our members—including the painkiller Vioxx® and the diet drug combination "Fen-phen"—that were later removed from the market because of health risks.

## I was prescribed a brand-name drug that's covered on your formulary, but I was told I needed prior authorization. What is that exactly?

**Prior authorization** means that your doctor must request that the HMO cover the drug, and provide medical information to back up the request, before the drug will be covered. HMOs require prior authorization for some drugs to help make sure they're being used safely and appropriately. For example, a new drug without a track record of safety and efficacy may require prior authorization, while an older drug for the same condition that's been proven safe and effective would not.

Prior authorization is one of several kinds of **limits** that an HMO may place on some of the drugs in its formulary.

## But you said if a drug is on the formulary, it's covered. So why are there limits on some drugs?

Putting limits on some of the drugs in a formulary is one of the ways HMOs help ensure safety and hold down costs. We may limit the quantity of certain drugs that can be dispensed at once, or limit the amount of time that certain drugs should be taken. This helps prevent waste, overuse, misuse or potential harm.

For many conditions, older drugs work just as well as, or are safer than, new ones. So, some drugs are prescribed as part of **step therapy**, a process that starts with tried-and-true medications rather than new drugs. If your condition doesn't respond at first, a different drug is tried in a set pattern until the best medication for you is found. Step therapy also helps ensure that you pay the least possible out-of-pocket expense for an effective medication for your condition.

## My doctor prescribed a new drug for me. Why isn't it covered?

If the drug has been on the market for less than six months, then it probably falls under FCHP's **New to Market Policy**, which is a temporary moratorium on coverage. Other insurers may have similar programs.

This policy helps ensure your safety by giving our medical experts time to review the data on new drugs and approve clinical criteria for using them properly. When drugs first come on the market, they fall under this policy and aren't covered.

The New to Market Policy provides a unique opportunity to monitor new drugs for unforeseen problems. This is the policy that helped our experts catch Vioxx and "Fen-phen" before these medications could potentially harm our members.



## How else can I save money?

A great way to save money on prescription medications is to **use our mail-order pharmacy service**. FCHP members who take maintenance medications—medications taken regularly at the same dose for three months or more—can get up to a 90-day supply through the mail for the cost of only two copayments. That's a **savings of up to 33%**. Not to mention the gas you save not going back and forth to the pharmacy! Learn more on our Web site at [www.fchp.org/Extranet/Members/mailorderpharmacy.htm](http://www.fchp.org/Extranet/Members/mailorderpharmacy.htm)

Here are some other ways you can help hold down your costs:

- **Be skeptical of drug commercials on TV.** They're designed to show off new drugs and make them sound as appealing as possible. However, the newest drugs often aren't good choices for everyone, and all their adverse effects may not yet have been discovered. Plus, as commercials are very expensive to produce and broadcast, heavily advertised drugs are usually very expensive, too.
- **Be wary of paying a lot more for a little extra convenience.** Some drug makers have been combining one or more products, some with generic equivalents, into one brand-name pill, and touting how combination pills make these medicines easier to remember to take. But if your doctor needs to adjust the dosage of one of the medications in your combination pill, you'll need a new prescription, have to pay a new copayment, be left with a bottle of medicine you can't use, and may end up taking multiple pills anyway. Not very convenient!
- **Keep track of your medications and store them as directed.** If a drug label says it requires refrigeration, it can be ruined by leaving it in a hot car, or even on a countertop at room temperature. Depending on your insurance, you might not be able to get coverage for refills of drugs that were misplaced or ruined—meaning you'd have to pay the full retail price to replace them.
- **Take medications as directed.** Using your medication right the first time can prevent side effects and help make you healthier faster.
- **Listen to your doctor** if he or she says that a prescription drug is not necessary for your condition. Some doctors will unfortunately write the prescription anyway if the patient insists. But if a drug is not really needed, it is useless at best—not to mention a waste of money—and could even cause you harm. Taking antibiotics for a cold, for example, won't make you healthier faster and could even make you sicker.

With all this money-saving going on, keep in mind that when you save on your prescriptions, your insurance company does, too—which helps them hold down premiums for you and other members, which helps hold down health care costs for everyone. It's a win-win-win-win situation!

## How can I learn more?

Prescription prices are a hot topic, and will continue to be for the foreseeable future. Learn more about the issues with this great Web resource: [www.nofreelunch.org/patients](http://www.nofreelunch.org/patients). No Free Lunch is a not-for-profit organization under the direction of Bob Goodman, M.D., which concentrates on educating patients and providers in resisting the influence of pervasive pharmaceutical industry marketing practices.

The FDA's Office of Generic Drugs also hosts a wealth of information on their Web site, [www.fda.gov/cder/ogd](http://www.fda.gov/cder/ogd). You can learn about generic alternatives to brand-name drugs, find out about the latest generic drugs to be approved, and more.

At Fallon Community Health Plan, our mission is *making our communities healthy*. That means we think health insurance should be less about us, and more about you. If you have any questions about FCHP's pharmacy coverage, or if you or someone you know is looking for health insurance with or without prescription drug coverage, call our Customer Service Department at 1-800-868-5200 (TDD/TTY: 1-877-608-7677), Monday through Friday from 8 a.m. to 6 p.m.

## References

1. Alspach, Kyle. "Dollar Drain: What Makes Health Care in America So Expensive?" *The Enterprise*, April 9, 2008, accessed via [www.patriotledger.com](http://www.patriotledger.com), [http://www.patriotledger.com/lifestyle/health\\_and\\_beauty/x1620713765](http://www.patriotledger.com/lifestyle/health_and_beauty/x1620713765)
2. Neale, Todd. "Pharmaceutical Lobby Spent Big in 2007," *MedPage Today*, June 25, 2008. [www.medpagetoday.com/PublicHealthPolicy/HealthPolicy/tb/9937](http://www.medpagetoday.com/PublicHealthPolicy/HealthPolicy/tb/9937) .
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4. Winslow, R. and Rubenstein, S. "Trial and error: delays in drug's test fuel wider data debate," *Wall Street Journal*, March 24, 2008.
5. Freudenheim, Milt. "Benefit Managers Profit by Specialty Drug Rights," *New York Times*, April 19, 2008. <http://www.nytimes.com/2008/04/19/business/19specialty.html>



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