



Formularies and Cost Sharing Issues for Medicare Part D

Haiden Huskamp, Ph.D.

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Three-Tier Formularies

- Basic Structure:
 - Tier 1: generic drugs (e.g., \$5)
 - Tier 2: preferred brand-name drugs (e.g., \$15)
 - Tier 3: non-preferred brand-name drugs (e.g., \$30)



Primary Goals

- Make patients and their doctors more sensitive to the relative costs of different treatments
- Increase bargaining power with pharmaceutical manufacturers



Questions

- Reduction in plan spending?
- Increased costs for patients?
- Clinical outcomes: change or stop medications?



Formulary Changes

- Employer A
 - Pre: \$7
 - Post: \$8/\$15/\$30

- Employer B
 - Pre: \$6/\$12
 - Post: \$6/\$12/\$24



Formulary Content

Drug Class	Tier 1	Tier 2	Tier 3
ACE Inhibitors	captopril enalapril maleate	Accupril Capoten Lotensin Prinivil	Aceon Altace Mavik Monopril Univasc Vasotec Zestril
PPIs	None	Nexium (after 11/01) Prilosec	Aciphex Nexium (before 11/01) Prevacid Protonix
Statins	lovastatin	Baycol (after 10/00) Lipitor Pravachol Zocor	Baycol (before 10/00) Lescol Mevacor



Study Population

EMPLOYER A

- Mostly hourly workers
- 3-Tier Group: 55,567
- Comparison Group: 55,951

EMPLOYER B

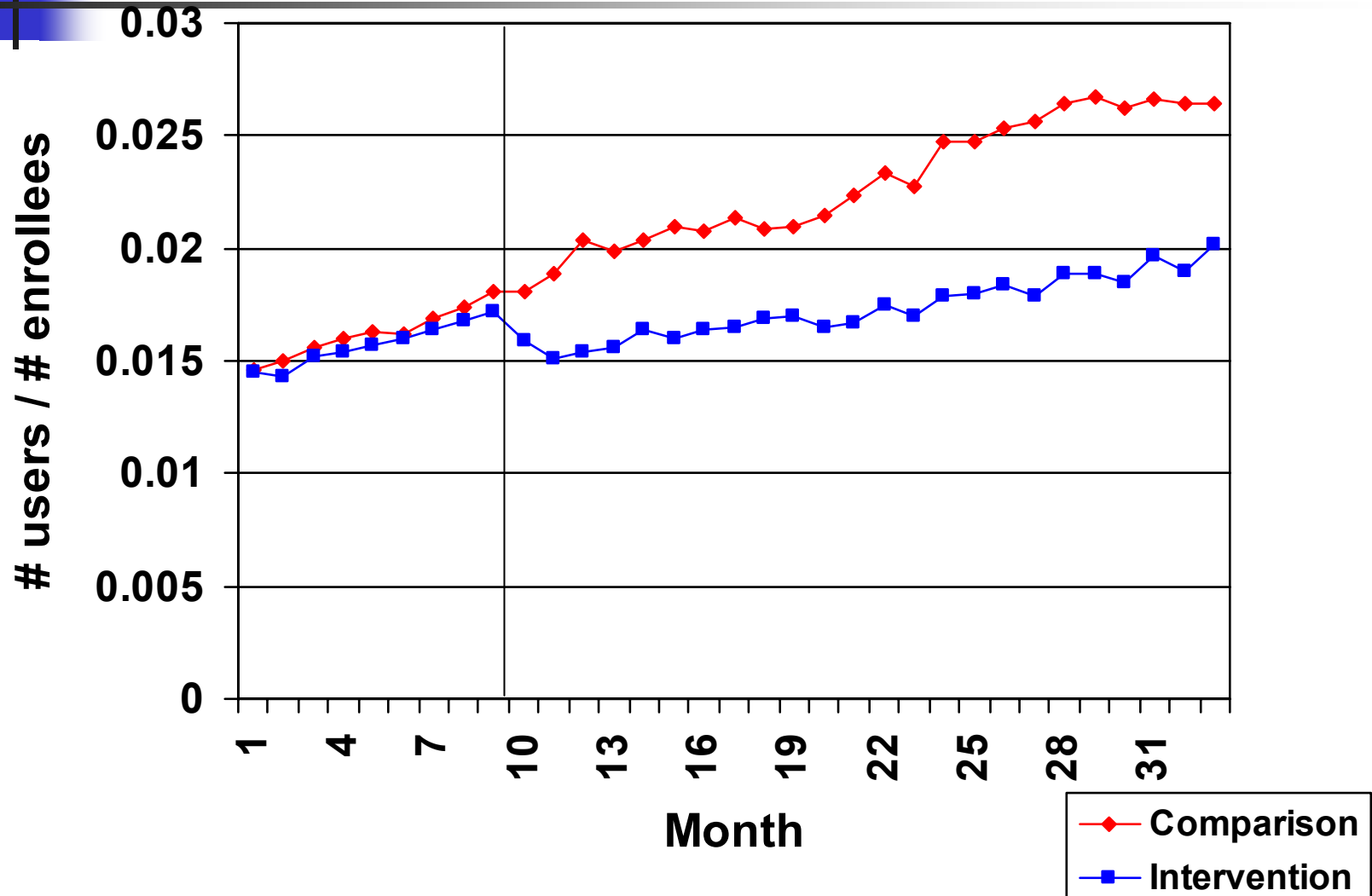
- Mostly salaried workers
- 3-Tier Group: 11,653
- Comparison Group: 27,051



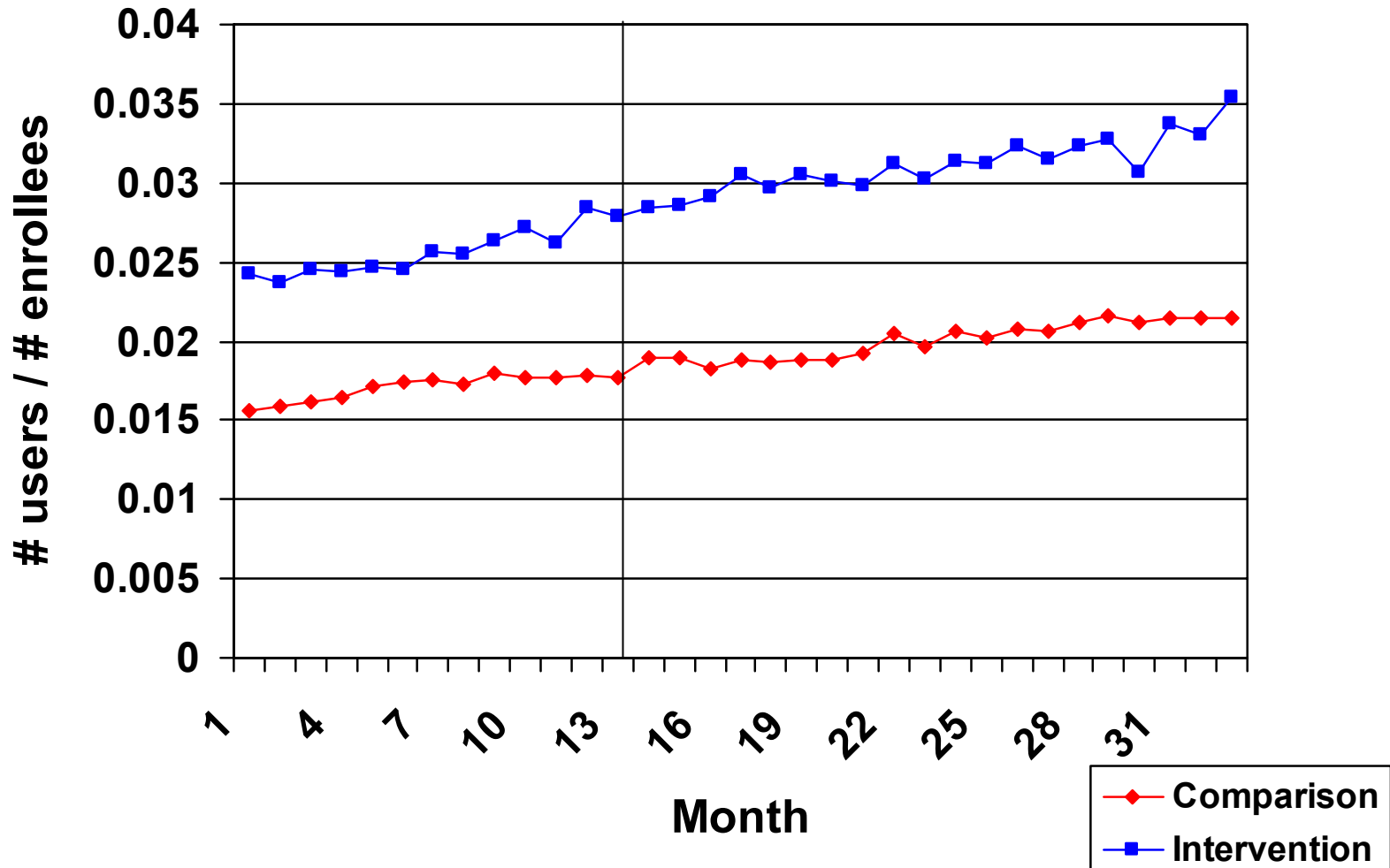
Analyses

- Models of how formulary changes affected:
 - Probability of use
 - Amount spent by plan, patient, and total
- Stay, switch or stop medications

Large Copay Increase Slowed Growth in ACE Use for Employer A



Limited Copay Increase Had No Effect on ACE Use for Employer B





Large Cost-Shift for Employer A Only

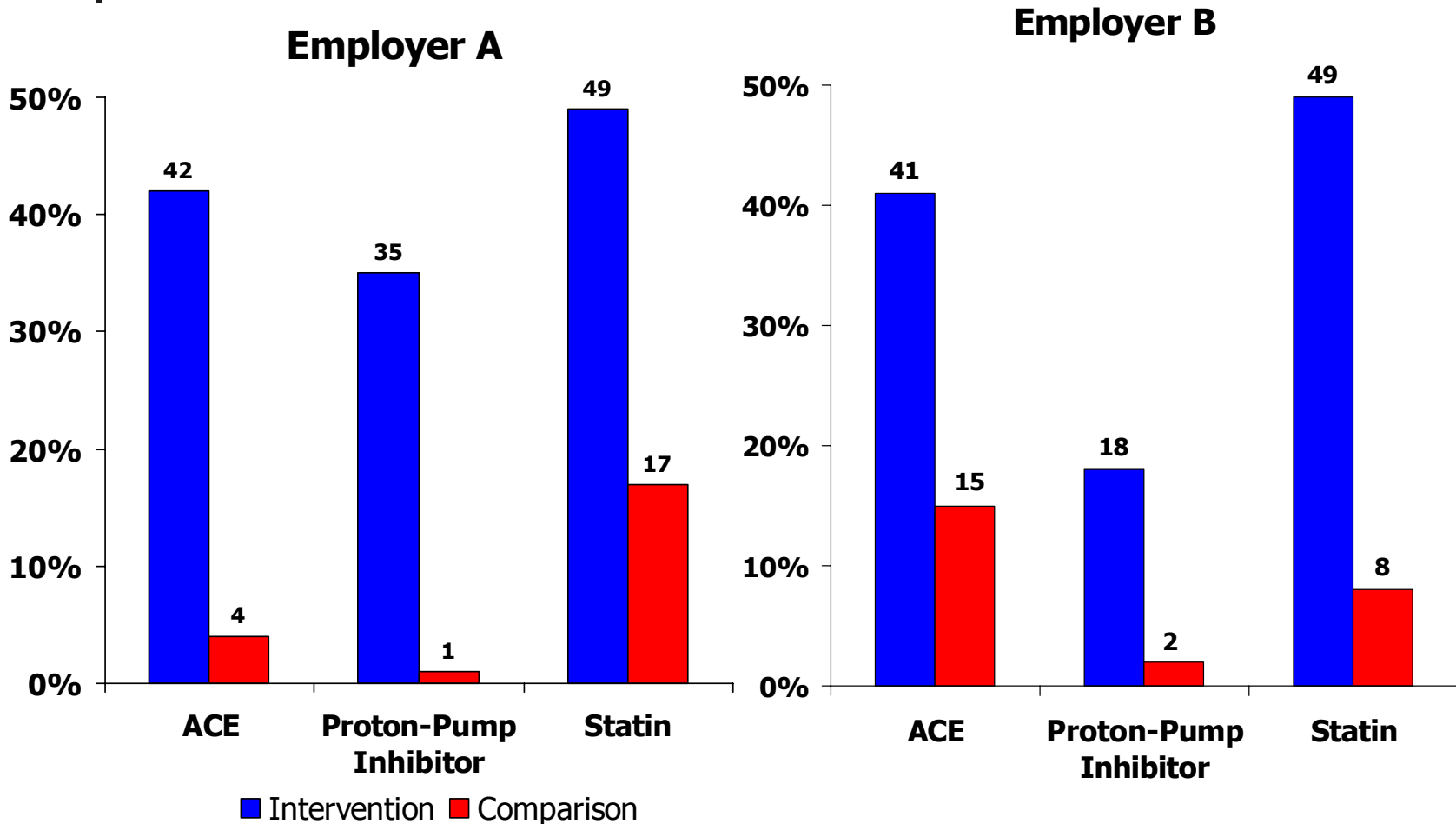
Employer A

	ACE Inhibitors	PPIs	Statins
Plan Spending	58% ↓	15% ↓	14% ↓
Enrollee Spending	142% ↑	148% ↑	118% ↑

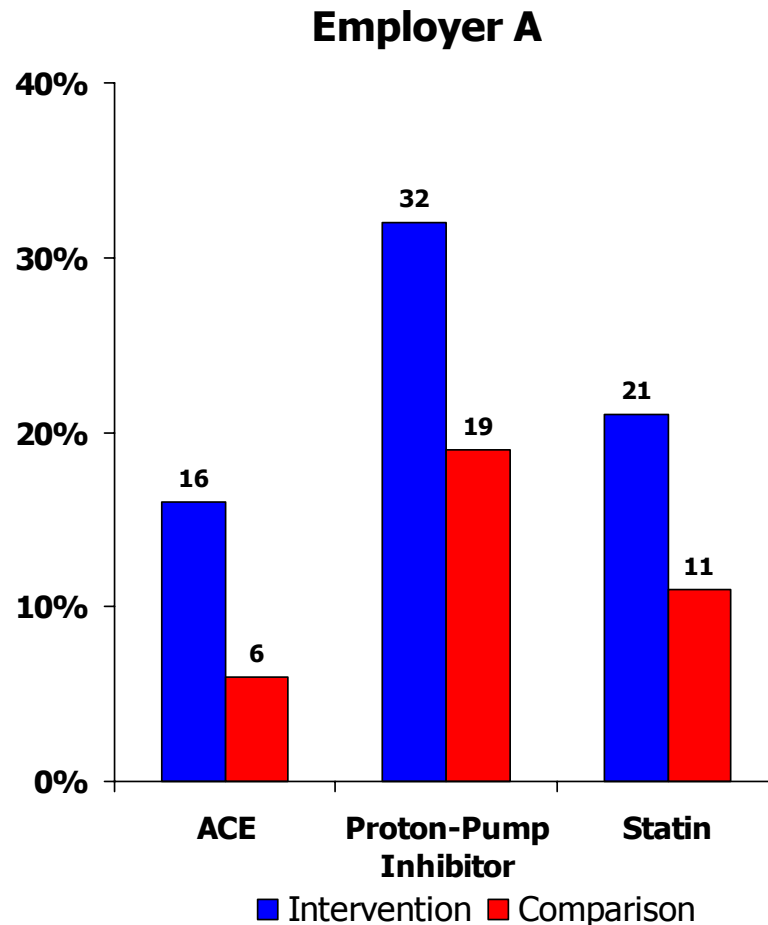
Employer B

	ACE Inhibitors	PPIs	Statins
Plan Spending	5% ↓	2% ↓	0 (NS)
Enrollee Spending	7% ↑	5% ↑	0 (NS)

Tier 3 Users More Likely to Change to Lower Tier



Employer A Tier 3 Users More Likely to Discontinue





Research Conclusions

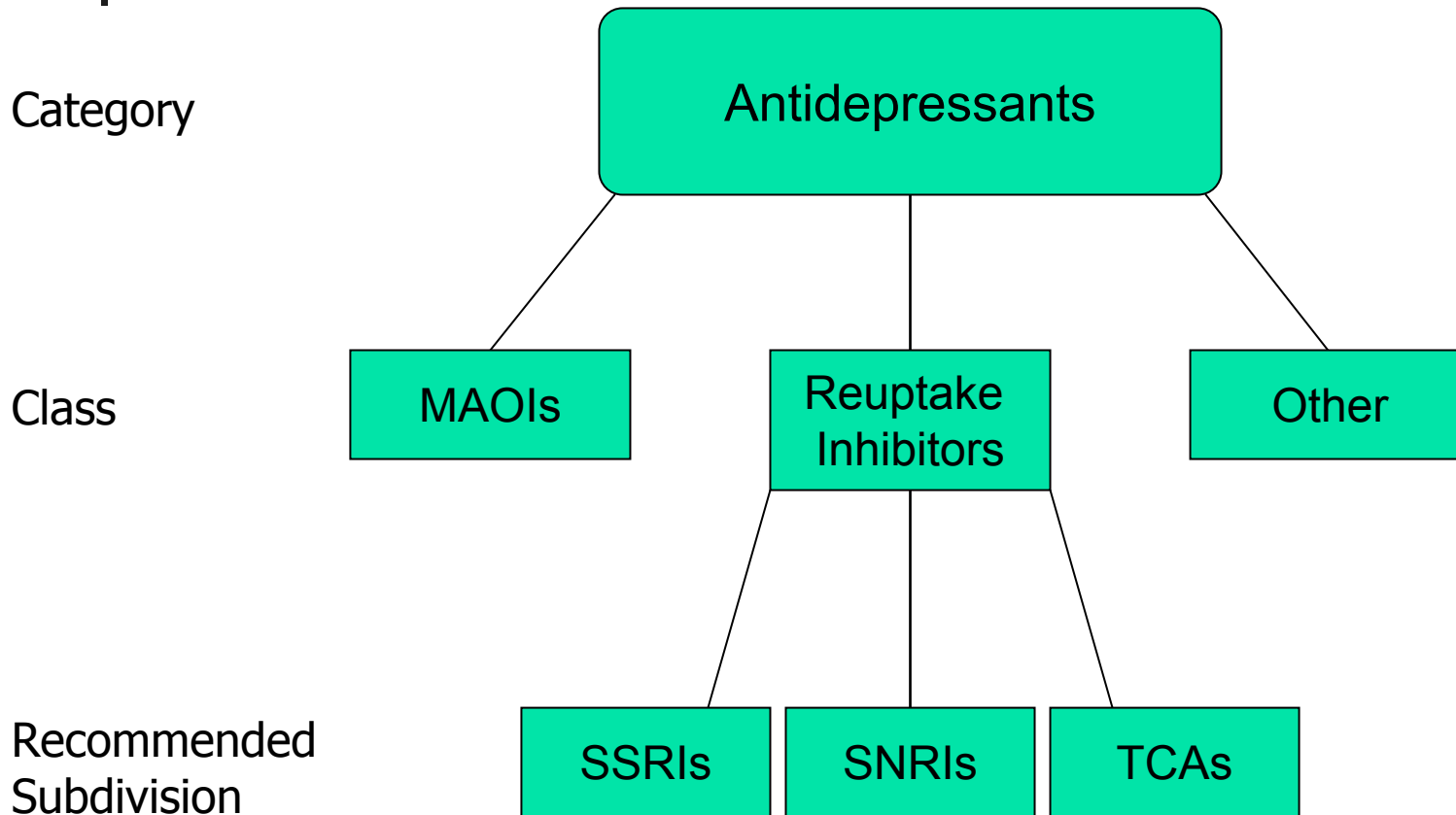
- Substantial copay increases by A led to:
 - Slower growth in use
 - Shifting of costs onto patients
 - Greater likelihood of changing or discontinuing medications
- More moderate changes had more modest effects



Important MMA Provisions

- Category/class definition, tier assignment and copayment levels important for access and out-of-pocket burden
- Formulary reconsideration process could facilitate or impede access
- Secretary's role in monitoring plan design is key

Formulary Structure and Content Could Affect Access Under Part D



Formulary Structure and Content Could Affect Access Under Part D

	Example A	Example B	Example C
Category	Antidepressants	Antidepressants	Antidepressants
Class	SSRIs	SSRIs	Reuptake Inhibitors
Tier 1(\$10)	generic Prozac generic Paxil	generic Prozac generic Paxil	TCAs
Tier 2 (\$25)	Celexa Zoloft	-----	-----
Tier 3 (\$50)	Lexapro	Celexa	-----
Nonformulary	brand Prozac brand Paxil	brand Prozac brand Paxil Zoloft Lexapro	All SSRIs (e.g., Celexa) All SNRIs