

# Update to HMO Drug Formulary Tier Definitions

February 8, 2018

# Agenda

1 Overview of Current Drug Tiers

2 Proposed Drug Tiers for 2019

3 Impact to SFHSS and SFHSS Members

4 How the Drug Formulary Works

5 Communication Plan

6 Appendix



# Overview of the current formulary structure

Currently, the Blue Shield drug formulary categorizes drugs by drug type:

- 1 Generic drugs
- 2 Preferred brand drugs
- 3 Non-preferred brand drugs
- 4 Specialty drugs



# The rising costs of medications including generics

In the news...

Issue of rising drug prices now includes generics

- *Consumer Affairs*, January 2016

Some Generic Drugs See Huge Price Increases

- *Medscape*, September 2016

Generic drug prices increase when market competition decreases

- *ScienceDaily*, July 2017

Drug prices rise as pharma profit soars

- *Modern Healthcare*, December 2017



# Proposed Formulary Change for 2019

Tier	2018	2019	SFHSS member copay per prescription
1	Generic Drugs	Typically generic drugs and some brand drugs	Retail: \$10 Mail: \$20
2	Preferred Brand Drugs	Typically preferred brand drugs and some generic drugs	Retail: \$25 Mail: \$50
3	Non-Preferred Brand Drugs	Typically non-preferred brand drugs and some generic drugs	Retail: \$50 Mail: \$100
4	Specialty Drugs	Specialty drugs or select drugs priced greater than \$600 per month*	20% up to \$100

\*All drugs are reviewed for clinical and therapeutic safety and effectiveness  
Not all drugs priced greater than \$600 will be placed in Tier 4



# New tier-based formulary structure

- The move to the new **tier-based formulary structure would align SFHSS** with industry trend and serves as a tool to help manage rising drug costs.
- The new formulary tier structure will be named Tiers 1 - 4
- Drugs are placed in formulary tiers by the P&T Committee based on clinical value and cost-effectiveness, not drug type
- Tier 4 will now consist of Specialty Drugs or select high-cost drugs



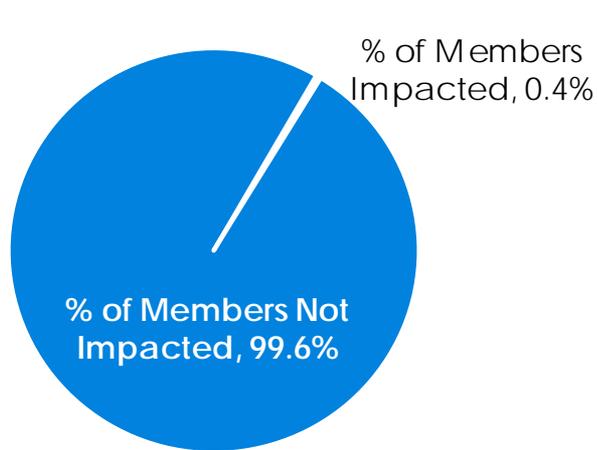
# Examples of drugs proposed to move to higher tiers

Therapeutic Class	Generic Drugs Moving to Tier 3	Generic Drugs Moving to Tier 4	Brand Drugs Moving to Tier 4	Formulary Alternatives
Antidiabetic Agents	metformin ER (generic Fortamet) \$717/Rx 50 members	metformin ER (generic Glumetza) \$4,031/Rx 10 members	Glumetza \$6,694/Rx 1 member	metformin ER \$7/Rx 414 members
Dermatological Agents	doxepin HCl 5% cream \$498/Rx 16 members			hydrocortisone 2.5% cream, lotion, ointment \$8/Rx 473 members
Narcolepsy/ Sleep Disorder Agents	armodafinil \$102/Rx 15 members			modafinil \$23/Rx 36 members

Prescription drug cost and utilization based on SFHSS HMO CY2017 prescription utilization

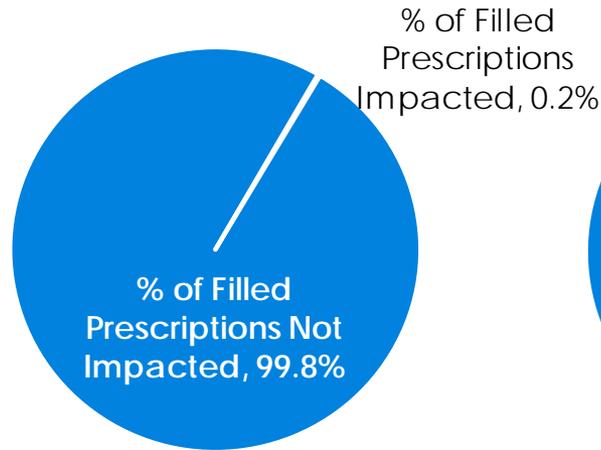


# Impact to SFHSS



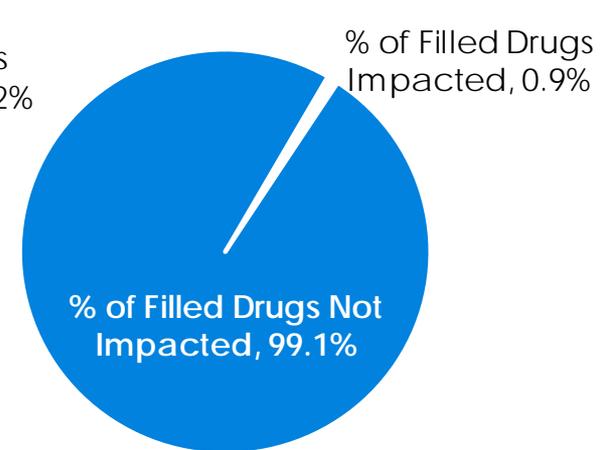
## Member Impact

- 117 SFHSS HMO members impacted
- Represents 0.4% of total SFHSS HMO members who filled prescriptions
- 99.6% of SFHSS HMO members who filled prescriptions are not impacted



## Impact on Number of Filled Prescriptions

- 675 prescriptions impacted
- Over 440,000 total prescriptions were filled
- 99.8% of filled prescriptions are not impacted



## Drug Impact

- 15 drugs impacted
- Prescriptions filled for 1,700 drugs
- 0.9% of filled drugs are impacted
- 99.1% of filled drugs not impacted

Estimated savings to SFHSS is \$360K

1. Prescription drug cost and utilization based on SFHSS HMO CY2017 prescription utilization;
2. Savings based on SFHSS HMO CY2017 prescription utilization;
3. Assumes specific utilization shifts for impacted drugs. If all were to move to recommended drugs, ~\$800K in savings



# Drug formulary

The Blue Shield drug formulary is a list of commonly prescribed medications that are approved by the Food and Drug Administration (FDA) and are eligible for coverage in the outpatient prescription drug benefit



# Drug formulary development and maintenance



- The Blue Shield Pharmacy and Therapeutics (P&T) Committee develops and maintains the drug formulary
- The Committee is comprised of independent physicians and pharmacists in our network not employed by Blue Shield and meets quarterly
- The Blue Shield Clinical Pharmacy team meets weekly to review new drugs
- Tier placement of drugs are based on the medical evidence and nationally recognized clinical guidelines for drug safety and effectiveness
- Drug price is also considered when safety and effectiveness are similar for drugs in the same class



# Communication plan

## 60 days in advance of the change

Impacted SFHSS members will receive a notification letter which will include a list of drug alternatives covered in lower cost share tiers

## An enclosure will accompany the letter

Provides descriptions of the drug tier names and descriptions, information about the drug formulary, and the availability of additional online information



# Letter to impacted members



<date>

<Member First Name><Member Last Name>  
<Address 1>  
<Address 2>  
<City>, <State> <Zip code>

**Re: Information about the Blue Shield of California Plus Formulary**

Dear <Member First Name>.

You are receiving this letter because we would like to provide you with information about the Blue Shield Plus Drug Formulary, especially the drug tiers.

The names of the various drug tiers, or levels, and the types of drugs placed in each of them have changed. The amount you pay for drugs in different tiers will vary. Please refer to the enclosure for detailed information.

**Our records indicate that you may be taking a medication that will be moved to a higher cost tier effective <Group Renewal Date>. Depending on your outpatient prescription drug benefit plan, you will have a higher copayment or coinsurance for the specific medication(s) outlined below. If you have a deductible, the copayment or coinsurance you pay applies after satisfying your calendar-year deductible.**

If you would like to lower your out-of-pocket costs for these medications, please speak with your physician about whether any of the preferred alternative(s) below may be right for you. If you are no longer taking this medication, you can disregard this notification and no action is required.

Drug name	Preferred alternative(s) available at a lower cost
<label name>	<Preferred Alternative(s)>

If you have any questions about this change or any of your pharmacy benefits, please review your <Evidence of Coverage or Certificate of Insurance> for specific plan information or call the customer service number on your Blue Shield member ID card. We're ready to assist you.

For more information on a specific medication, please refer to the Blue Shield Plus Drug Formulary, available at [blueshieldca.com/pharmacy](https://blueshieldca.com/pharmacy).

Sincerely,

Pharmacy Services

Enclosure

Blue Shield of California  
50 Beale Street, San Francisco, CA 94105

[blueshieldca.com](https://blueshieldca.com)

An Independent Member of the Blue Shield Association





## Enclosure: Blue Shield Plus Formulary tier names

The names of the different drug tiers and the types of drugs placed in each of the tiers have changed. The following table shows the drug tier names and descriptions. The amount you pay for drugs in different tiers will vary depending on your outpatient prescription drug benefit plan.

Previous drug tier name	Current drug tier name	Current drug tier name description
Formulary Generic	Tier 1	Typically generic drugs. Some brand drugs.
Formulary Brand	Tier 2	Typically preferred brand drugs. Some generic drugs.
Non-formulary Brand	Tier 3	Typically non-preferred brand drugs. Some generic drugs.
Specialty or Home Self-Injectable	Tier 4	Specialty drugs or select drugs priced greater than \$600 per month.*

\*Drugs are reviewed for clinical and therapeutic effectiveness. Not all drugs greater than \$600 will be placed on Tier 4.

### What is a formulary?

The Blue Shield Plus Drug Formulary is a list of commonly prescribed medications that are approved by the Food and Drug Administration (FDA) and are eligible for coverage under the Blue Shield outpatient prescription drug benefit.

### How is the drug formulary developed?

The formulary is developed, maintained and regularly updated by the Blue Shield Pharmacy and Therapeutics (P&T) Committee. Voting members of the P&T Committee are independent physicians and pharmacists who are expert consultants not employed by Blue Shield, and include specialists in various fields. Placement of drugs on tiers is based on recommendations made by the P&T committee after a review of the medical evidence and nationally recognized clinical guidelines for drug safety and effectiveness.

### What are drug tiers?

Drugs are placed into drug tiers based on defined categories. The amount you pay for drugs in different tiers will vary. Information about what you pay by drug tier can be found in the *Summary of Benefits* to your Blue Shield Evidence of Coverage (EOC) or Certificate of Insurance (COI).

### How do I find out if a drug is covered?

Please refer to the Blue Shield Plus Drug Formulary, available at [blueshieldca.com/pharmacy](https://blueshieldca.com/pharmacy).





Thank you

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# Appendix

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# Reason for Pharmacy Programs – SFHSS HMO

## Actives/COBRA Members

- \$8.6M savings

## Non-Medicare Retirees

- \$1.3M savings

Time period for the evaluation: July 2015 – June 2016 vs. July 2016 – June 2017

