

### Research Your Plan

All insurers impose exclusions, limitations and/or restrictions to policies. Take time to research your plan before you sign up for it. The plan will have a link to its formulary which is a list of the drugs covered by the plan. If you are not able to find the formulary, contact the plan and have it locate and/or send the formulary to you. Look up the medications you are currently taking and see:

- 1) is it on the formulary and if so which tier the drug is on?
- 2) does it require step therapy or a prior authorization?

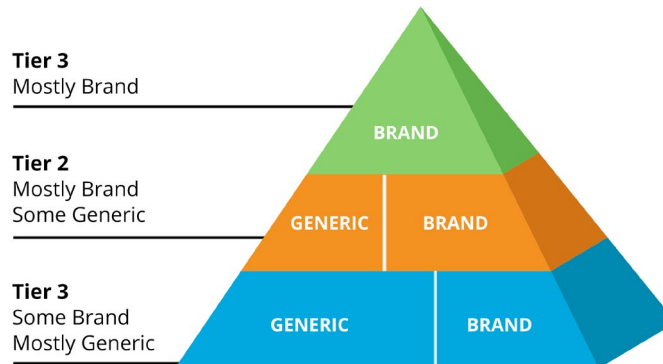
Often times a drug that requires a prior authorization will have a 'Pa' or 'Par' next to it and a drug that requires step therapy will have a 'St' next to it. Next, look at your explanation of benefits or EOB, which should be provided to you by your health plan. The deductibles, copays and/or coinsurance corresponding to different tier levels should be listed in your EOB. Below is an example of what your formulary may look like.

Drug Name	Tier	Requirements
ABCXXX	1	PA
BCAXXX	3	ST
CBAXXX	1	

### Mid-Year Changes to your Formulary

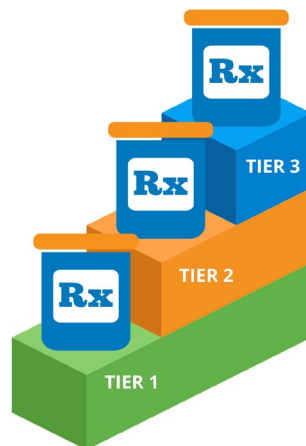
Be aware that a health plan can make changes to the formulary in the middle of your health plan year. If you are currently taking a drug that had its coverage modified, you may be forced to pay higher out of pocket costs due to an increased copay or coinsurance. It is not a requirement that all plans notify you of the change. It may take time for the plan to post the updated formulary or it may not even be updated. Contact your health plan to get the updated version.

## Drug Tiering



On your formulary the drugs will be divided up into anywhere from 3 to 5 tiers. The tiers incentivize lower-cost medications before turning to more expensive medications. The higher the tier the higher the out of pocket cost for the patient. The higher tiers can require a patient to pay as much as 50% of a drug's cost, which can amount to significant sum for a 30-day supply. Many higher tiers include a significant number and range of medications.

## Step Therapy



Step Therapy requires use of lower-cost medications before turning to more expensive medications. Patients must try lower cost therapies first and fail the drug before they can try other costlier therapies. Step therapy requirements are different across health plans and states. When changing

insurers, you may be required to retry a therapy despite being stable or already going through the step therapy process. It is important to review your formulary and see which medications require step therapy.

### **Deductible**

For your pharmacy benefits the deductible is the cost point at which your health plan will begin to help cover part of the costs of your medications. If your plan covers drugs prior to when the deductible is reached, then each drug will have cost-sharing in the form of copayments or coinsurance. Some plans do not cover the cost of drugs until the deductible has been met therefore it is important to research this information. For example if your deductible is \$2,000 then you will pay the full cost of your prescriptions until you reach \$2,000 in costs. At that time your insurance plan will begin to take on some of the costs by offering copays and coinsurance. Your monthly insurance premium does not count towards your plan deductible. A high deductible plan may have lower premium payments, but overall you may pay more up front for your prescriptions.

### **Coinsurance**

One way a plan will share the cost of your medications will be with coinsurance. With coinsurance your plan pays a set percentage of the drug costs on a specific tier. The coinsurance percentage can vary based on the tier. For example the plan may have one tier of the formulary where the plan pays for 70% of the drug cost and you pay the remaining 30%. A coinsurance will typically apply more often to brand and specialty medications. Investigate your plan, because a plan with a lower premium may have higher coinsurance percentages for your drug coverage. Based on your needs, it may be better to have a plan with a somewhat higher premium, but lower coinsurance for drugs you regularly use.

### **Copay**

Another way your plan will help pay for the costs of your medications is called a copay. It is a flat fee that you pay for drugs on certain tiers of your plan formulary. For example, the generic drugs on a specific tier covered by your plan will likely have a set copay amount. Research your drug formulary and explanation of benefits to see what the copays are for drugs covered by your plan. If you have a particular drug you regularly use you should research what the copay is for that drug. You may want to pick a plan with a slightly higher premium if it has a lower copay for drugs you need.

### **Out-of-Pocket Maximum**

Out-of-pocket maximum is the set amount your plan has you pay for all healthcare services for that plan year. Typically your deductible, copays and coinsurance will go towards your maximum,

but always double check with your plan to know what items are counted towards the maximum. Sometimes the deductible and out-of-network services do not count towards the maximum.

### Pharmacy Benefit Managers

A key factor in how the drug supply and pricing works is dependent on Pharmacy Benefit Managers (PBMs). By contracting with health insurance carriers the PBM helps create and sustain the formulary for the insurer, secures a pharmacy network, and supply prescriptions ordered for mail delivery.<sup>1</sup> They serve as a direct supply link between the manufacturer and the patient.<sup>2</sup> An example of how a PBM interacts with a pharmacy can be seen in the following example: the pharmacy first submits an online claim to the PBM for the prescription and then the PBM verifies eligibility and benefits of the patient. Once the PBM sends back the online response the pharmacy fills the prescription and collects appropriate copayment.<sup>3</sup>

To learn more about common health care coverage terminology, visit:

- [www.healthcare.gov/glossary/](http://www.healthcare.gov/glossary/)
- [www.cms.gov/CCIIO/resources/files/downloads/uniform-glossary-final.pdf](http://www.cms.gov/CCIIO/resources/files/downloads/uniform-glossary-final.pdf)
- [q1medicare.com/PartD-Medicare-PartD-GlossaryOfTerms-P.php](http://q1medicare.com/PartD-Medicare-PartD-GlossaryOfTerms-P.php)

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<sup>1</sup> Follow the Pill: Understanding the U.S. Commercial Pharmaceutical Supply Chain. (2005). *The Health Strategies Consultancy LLC*. Retrieved from [http://avalere.com/research/docs/Follow\\_the\\_Pill.pdf](http://avalere.com/research/docs/Follow_the_Pill.pdf)

<sup>2</sup> Follow the Pill: Understanding the U.S. Commercial Pharmaceutical Supply Chain. (2005). *The Health Strategies Consultancy LLC*. Retrieved from [http://avalere.com/research/docs/Follow\\_the\\_Pill.pdf](http://avalere.com/research/docs/Follow_the_Pill.pdf)

<sup>3</sup> American Academy of Dermatology Association (August 21, 2015). Dialogues on Drug Pricing and Transparency Panel. *Presented at 2015 Summer Academy Meeting*. New York City, New York.