



# City of Waterbury



## Medco – Pharmacy Benefit Manager (PBM)

Medco has been paying pharmacy claims and dispensing mail order and specialty drugs for the City of Waterbury since 2006. We thought it might be helpful to explain what advantages a PBM such as Medco can provide over and above what a traditional health insurance company can offer.

Historically, the fastest growing component of any health plan was pharmaceuticals. It was not unusual to see annual increases of 18% or more and this has been the case for many years, although recently, the trend has slowed. We have demanded a drug for everything and the drug companies have been more than willing to supply us with those drugs. Research and development of many new drugs continues as the Federal Drug Administration (FDA) struggles to review and approve all the new choices. We see it all the time through direct marketing campaigns on radio and television. Are you ill? Take a pill! Many of us can recite the brand names, Lunesta, Paxil, Boniva and Viagra! The industry is skipping the doctor and going right to the consumer to create demand. Gratefully, though, the industry has helped many people live longer, reduce symptoms of chronic diseases like diabetes and asthma and save lives by treating heart disease and cancer. As the science increases, so too does our longevity. What does this mean? We cannot live without our drug benefits.

But, the net result of all of this is that drug plans have become increasingly expensive. Every private corporation and municipality struggles to manage the expense because budgets are limited. In a private corporation there is great pressure on the bottom line because profitability is the measurement of a successful business. In a municipality, the money to pay for benefits comes from each and every tax payer and there is pressure on any City to manage the mill rate.

This is why using a PBM as a tool to manage drug plan expenses can help. A PBM covers more members for drug benefits than any single insurer because they are national in scope, so the sheer volume of members affords participating customers purchasing advantages they would otherwise not have.

There are several important pieces to the Medco plan and as a plan member it is important to understand them. First, let's talk about generic drugs. There seems to be confusion and a sort of "negative" feeling about generics. Do you know what a generic drug is? Do you understand the differences between a generic and a name brand (legend) drug?

When a company comes up with a new drug, they patent it. That means no one else can produce the drug. However, at patent expiration, other companies can apply to the U.S. Federal Drug Administration to produce the same drug under a generic name. Generic equivalent drugs must contain the same active ingredients as in name brand drugs but might look a little different because the inactive ingredients can be different. The FDA must approve all generics. You are NOT getting a less effective drug, you are getting an approved comparable drug. There may also be generic ALTERNATIVE drugs which may include DIFFERENT active ingredients. Note that your physician would have to write a prescription for any ALTERNATIVE drug, brand or generic.

In order to encourage the use of generic drugs, plans generally have lower copayments than for the name brand equivalent. For example, Lunesta (a sleeping medication) costs around \$125.00 for a 30 day supply

(Over)

but the generic, Ambien CR costs about half that. Why would you want to spend more and why should the plan spend more for the same drug?

If you want to learn more about generics log onto the FDA website at [www.fda.gov/cder/ogd/](http://www.fda.gov/cder/ogd/)

Medco actively encourages the use of generics and our plan design supports this. Always check with your doctor when you consider the use of any medication. Always ask questions and make sure you discuss potential side effects or any drug interactions with other medications you may be taking through another physician or dentist.

Specialty Medications are another area where Medco greatly assists us. Their company, Accredo, specializes in helping patients who must take very, very expensive medications get the best price. Your physician has to send the prescription through Accredo and they will fill the script for you, but due to volume pricing they are able to offer these drugs to covered members generally less expensively than your retail pharmacy can.

Prescription medications sometimes gain wide utilization and acceptance and sometimes the FDA reclassifies drugs as now “over the counter”, meaning, you can get the medication without a prescription. This happened with Claritin when the manufacturer substituted Clarinex as the new prescription level medication. There are too many individual drugs in the marketplace for any individual person to track, so Medco does this work on our behalf. When medications go to “over the counter status” and this affects a drug you have been taking, Medco will contact you and encourage you to use OTC’s. Although OTC’s are not reimbursed by the Medco drug plan when this change occurs, you can use the Flexible Spending Account through Benefit Strategies to pay for OTC’s. This saves you \$.25 on every \$1.00 you spend!

Product pricing is the largest and final solid advantage offered by a PBM. Medco organizes drugs into something called a “FORMULARY”. They place drugs in tiers which tie to the co-payment level in the plan design. Generic drugs carry the lowest co-payment, Preferred drugs are in the middle tier and Non-preferred drugs carry the highest co-payment. If you order through Medco by Mail you will save the most. You will only pay two months of copayments for a three month supply of drugs. This choice works best for people who take maintenance drugs. You should also be aware that in some cases Medco may limit the dosage they dispense for certain prescriptions. The reason for this is that the Manufacturer or Federal or State regulations may limit dosages so they do not exceed what are considered to be “safe limits”. Medco will work with your physician to ensure you get what you need.

If you want to understand what your out-of-pocket cost will be on any drug the best choice is to log onto [www.Medco.com](http://www.Medco.com) and register. You can look up EVERYTHING about your plan, current out-of-pocket expense, what drugs are generic, preferred and non-preferred and use their calculator to figure where and how you can save money.

The website also offers helpful information about health related topics and you can even print your own temporary card, if you lost or misplaced your original. They also have a non-prescription discount area where you can shop on line! The more you learn about this program, the more you will be able to use it on an informed basis which should help you make better health care decisions.