

DRUG COST MANAGEMENT REPORT

Strategies for Maximizing Generic Opportunities in Payer Populations

by Tim Watson, Pharm.D., M.B.A.

Against the backdrop of ever-increasing pharmacy costs, there is a ray of hope for payers — generic drug utilization. The promise of generics has never been greater. There is at least one generic product available for most of the top therapeutic classes today.

Many in the industry believe that the tidal wave of important generic entrants will continue to increase. In a recent statement, Barrett Toan, CEO of Express Scripts, suggested that over the next five years, patents will expire on branded drugs that have a combined market value of \$32.3 billion in sales. Given the opportunities, it is not difficult to understand how interventions designed to increase the use of generics can have a material impact on the overall drug spend for individual payers.

In order to capture the full value of currently available generics, payers and their PBM partners need to rethink the traditional approach towards influencing generic utilization. Rather than focusing solely on increasing generic substitution rates (converting brands to the generic version of that brand, such as from brand Prozac to fluoxetine), payers must now begin to design and deploy interventions to increase the overall generic dispensing rate across an entire disease treatment group or therapeutic class. Comparisons of current and suggested strategies for increasing the utilization of generic drugs in a payer's population are presented below (figure 11).

Many PBMs are already changing their approach to influencing generic drug utilization within their client populations, to good effect. Some recent examples of a renewed focus on generic drug utilization programs are noted in figure 12.

Measuring Success

Historically, payers have analyzed their PBM's effectiveness in promoting generics by tracking changes in generic substitution rates. In the future, payers should begin to monitor their PBM's effectiveness by measuring

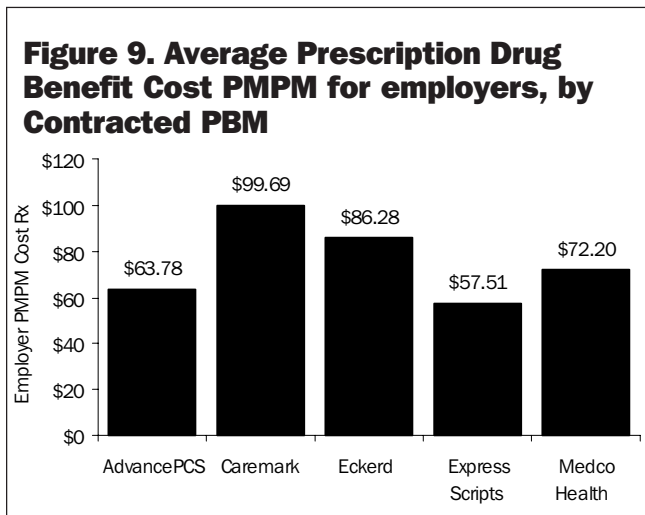


Figure 10. Generic Availability in Top Therapeutic Categories

Disease	Representative Generics	Typical portion of drug spend represented by this drug class*
Depression (and other psychiatric conditions)	fluoxetine	11.7%
Ulcer disease	omeprazole	9.1%
High cholesterol	lovastatin	7.7%
Diabetes	glucophage	4.6%
High blood pressure	lisinopril	6.7%
Total Opportunity		> 39%

* As reported in AIS Survey of Pharmacy Benefit Managers, First Quarter 2003.

Figure 11. Recommended Actions for Increasing Generic Utilization Across entire Therapeutic Classes

Current Strategies	Suggested Alternatives
Focus on increasing generic substitution by managing "dispense as written" codes	Focus on increasing generic dispensing rates across the board by educating patients on the overall value of generics. Educational programs should demonstrate the relative cost and outcomes of all medications within a particular class, tied to the patient's specific plan design. Outbound calling interventions and proactive letter campaigns could reinforce the message.
Limit the price of generic drug reimbursement by implementing Maximum Allowable Cost (MAC) programs	Provide direct incentives for pharmacies to increase overall generic dispensing rates
Pharmaceutical sampling of expensive single-source brands	Payer-funded sampling of low-cost generics
Direct-to-consumer advertising of the latest and greatest brand	Direct-to-consumer advertising on the value of generics

Figure 12. Generic Utilization Programs and Results

PBM / Payer	Program Description	Program Results
PharmaCare	Customized patient education program that alerts patients to the value of generic drugs by communicating plan-specific differences in copays between generics and preferred drugs within a therapeutic class. Forecasts potential patient savings from switching to a nonpreferred brand to a low-cost generic in specific therapeutic classes.	Company reports that the program has produced changes in over 25% of interventions.
Express Scripts	Developed a low-cost formulary based on aggressive promotion of generics in key therapeutic classes.	Not yet available.
BCBS Michigan	Mailed 15,000 coupons that allow members to waive their copayment if they opt to utilize a generic instead of a brand.	Plan estimates savings at over \$350,000.
Medco Health Solutions	Begun in 2000, Medco's physician-based generic sampling program has focused on increasing physician awareness and distribution of generic drug samples.	Company reports that over 20% of physicians contacted by the program have requested generic samples for distribution.
AdvancePCS	A voucher-based drug sampling alternative that encourages health plan members to try generic drugs by offering free initial prescriptions of generic products. Vouchers are distributed to members by AdvancePCS or their health plan, or provided by their doctors.	Not yet available.

improvements in overall generic dispensing rates. In fact, payers may wish to include performance standards in their future PBM agreements that clearly define the percentage improvement in generic dispensing rate that the PBM is willing to commit to, along with the financial value of that improvement.

In the challenging environment of an inflationary health care marketplace, payers can achieve substantial cost reductions by maximizing the use of generics in their

population. PBMs can help their clients obtain superior results by developing innovative new strategies to communicate and promote the value of generic drugs to physicians, pharmacists and consumers. ✧

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