

Over-the-Counter Drugs The New Tier Zero in Drug Benefit Plans

WITH MANY PHARMACY BENEFIT PLANS NOW CONSIDERING whether to add a fourth tier for high-priced specialty drugs, the other end of the pharmacy cost spectrum needs to be examined to see how costs can be reduced by promoting less expensive over-the-counter (OTC) drugs.

The FDA has set a goal to increase the conversion of prescriptions to over-the-counter (OTC) medications by 50 percent. This trend presents a significant opportunity for employers, union groups, health plans, and other payers of health care to reduce their pharmacy benefit costs.

Today, drugs that in recent years were among the top 10 drugs in pharmacy budgets are now available as OTC product, at a significantly reduced total cost. Promotion or even coverage of these OTC alternatives can save both members and payers on their pharmacy costs.

Examples With Costs and Alternatives

Examples of highly utilized medications that are now available without a prescription are Claritin, a non-sedating antihistamine used for allergies, and Prilosec, a proton pump inhibitor (PPI) used to treat gastrointestinal disorders. Before going OTC, these drugs were both No. 1 in their respective drug classes. Claritin (generic name loratadine) has been available as an OTC drug since late 2002. Prilosec (PrilosecOTC) was released to market in late 2003.

Claritin is marketed under many names, but they all contain the same active ingredient of loratadine (see chart below). Also of note is Clarinex, the follow-up drug made and marketed by the manufacturer of Claritin. Clarinex is a metabolic derivative of Claritin, and, according to medical experts, when you take Claritin, Clarinex is produced. Some plans have questioned the value of covering Clarinex as a preferred-brand drug, as may be recommended by their pharmacy benefit manager (PBM), or in some cases, the value of any coverage at all for the drug.

Plans that have put in cost control measures, such as placing all non-sedating antihistamine drugs on the higher third-tier copay as an incentive for members to use OTC Claritin, need to be aware of more expensive alternatives and to monitor their utilization. For example, Singulair, a drug originally prescribed for asthma, is now indicated for allergies. Based on the costs in Table 1 from drugstore.com (as of March 8, 2006, unless otherwise noted), one can see that having members move from Clarinex to Singulair could have a negative effect on the plan.



Prilosec (generic name omeprazole) is another example of a drug marketed under various forms and names (see Table 2). A generic omeprazole was released several years ago, but because of legal issues surrounding the brand's patent protection, the generic drug kept a higher price for a longer period than normal. The maker of Prilosec then released Nexium, a follow-up brand drug that has been very successfully marketed as a replacement for people on Prilosec. As with many follow-up drugs, Nexium, which is closely related to Prilosec, is an isomeric derivative, and, according to medical sources, when you dissolve one of these drugs, you get the other.

A few plans took the approach of moving all branded drugs in Prilosec's class to the higher, third-tier copay. Concerns over the loss of rebate payments in this drug class can be a barrier to moving drugs to the third tier if a payer doesn't have a coordinated message to members and providers, as well as other incentives to take the lower-cost drugs in this class. Some payers took a more customer-friendly approach and covered PrilosecOTC as a generic drug to encourage its use.

STEVE BERNA is a consulting actuary with Trivantage Pharmacy Strategies, in Lake Villa, Ill.

TABLE 1

Market Name	Active Ingredient	Manufacturer	Monthly Cost	Prescription or OTC
Claritin	loratadine	Schering-Plough	\$22.99	OTC
Alavert	loratadine	Wyeth	\$15.99	OTC
Store Brand	loratadine	Various	as low as \$2.50	OTC
Clarinex	desloratadine	Schering-Plough	\$76.99	Prescription
Singulair	montelukast	Merck	\$89.99	Prescription

TABLE 2

Market Name	Active Ingredient	Manufacturer	Monthly Cost	Prescription or OTC
Prilosec	omeprazole	Astra-Zeneca	\$115.99	Prescription
Omeprazole	(prior to approx. 5/06)	Various	\$93.99	Prescription
Omeprazole	(after 5/06)	Various	\$22.99	Prescription
PrilosecOTC	omeprazole	P&G	\$17.85	OTC
Nexium	esomeprazole	Astra-Zeneca	\$129.99	Prescription

Future OTC Conversions and Strategies

Other drugs under consideration for future OTC conversions are Xenical for weight loss; Flonase allergy spray; Prevacid, another proton pump inhibitor in Prilosec's drug class; and Allegra and Zyrtec, additional non-sedating antihistamines (NSA) in Claritin's drug class.

Your PBM partners and/or consultants should be helping you watch these pending OTC conversions for potential cost savings for your plan. The payer will need to look at the alternatives of whether it wants to promote the continued use of these drugs when they become available OTC or consider covering the drugs like a generic drug with a low copay for members.

Promotions of these OTC drugs can take several forms. One method is to contact the manufacturer to see if it has a program for sending coupons to the members of your plan who could benefit from consideration of these OTC alternatives. Many manufacturers of OTC products have programs where patients can receive a high-value coupon that isn't available to the general public. While this type of pro-

gram is "member friendly," it's not available through all PBMs and does have the potential to jeopardize rebate payments.

Another steering method is to consider a cost control mechanism such as prior authorization or step therapy through the PBM where the member would be required to try the OTC drug before getting coverage of other higher-cost prescription alternatives. Programs such as this have higher member disruption as compared with coupon programs, carry higher potential for rebate loss, and aren't available from all PBMs.

Case Studies

Promotion of these OTC alternatives is often left up to the payer or employer group. Although some PBMs will recognize and continue to promote these former No. 1 drugs in their respective drug classes that are now available OTC, many leave these drugs off the radar after they go OTC. The following are three case studies of various results from our clients.

■ *Client A.* This client did nothing additional for OTC loratadine and PrilosecOTC, and left all preferred brand alternatives on tier 2 in both drug classes. This resulted

in a 40 percent decrease in the NSA utilization, which reflected changes in the national market. This apparent savings, however, was offset by increased Singulair use. Singulair, an asthma drug now indicated for allergies, is in this client's top 10 usage list and has offset a significant portion of the 40 percent decrease, for a net decrease of approximately 15 percent to 20 percent in total allergy-related expenditures. The client saw no change in the PPI drug class.

■ *Client B.* This client performed continuous promotions of OTC loratadine and PrilosecOTC with letters and coupons. The NSA brand alternatives (and Singulair) moved from tier 2 to tier 3, but PPI brand alternatives stayed on tier 2. The NSA drug class experienced a 50 percent decrease in costs with a significant drop in utilization and movement to Singulair, mitigated by placement of that drug on tier 3.

PPI results were minimal, with the use of Nexium and other PPIs still being significant. The major issue in this class is that cost for PrilosecOTC is greater than the member cost of copays for some prescription alternatives.

Drugs that in recent years were among the top 10 drugs in pharmacy budgets are now available as OTC products at a significantly reduced total cost. Promotion or even coverage of these OTC alternatives can save both members and payers on their pharmacy costs.

■ *Client C.* This client decided to cover both OTC loratadine and PrilosecOTC at the generic copay. It also did heavy promotions to members and providers. All brand alternatives moved to tier 3, with additional step therapy on PPIs and lockouts on “follow-up” brand alternatives. The results were rather impressive.

For the NSA drug class, OTC loratadine showed a market share of 11.8 percent versus the 6.0 percent national average. These results are probably understated because the cost of OTC loratadine is lower than the generic copay, so some OTC purchases aren’t submitted for reimbursement, bypassing the claims recording systems.

Clarinet (follow-up brand to Claritin) has a market share of 0.3 percent versus the 7.9 percent national average. Overall, this client has significantly less utilization at a slightly lower cost for an estimated combined decrease of 60 percent in the costs of its NSA class over a three-year period.

In the PPI class, the results were even better. PrilosecOTC is the top PPI in that drug class with PrilosecOTC at a market share of 65.4 percent versus the 5.7 percent national average. Nexium (follow-up brand to Prilosec) has a market share of only 4.9 percent versus the 29.5 percent national average. Despite a higher utilization of PPIs, this client’s overall per-unit

cost is significantly lower, with an estimated combined decrease of 49 percent in its costs over 4.5 years.

Conclusion

There have been many recent opportunities for OTC savings, and they’re expected to continue into the near future. When a drug goes generic, both payers and members can benefit from significant savings, which occur as a natural consequence of the lower generic cost and the existing processes. However, when a drug goes OTC, it’s up to the payer and its pharmacy benefit partners to realize the potential savings.

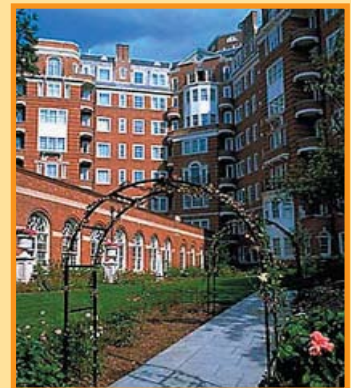


Spark your creativity.

How much room is there for creativity in day-to-day work at an actuarial firm? It depends on the firm. At CCA Strategies, we see actuarial work as a tremendously creative endeavor, and we’re expanding our team of those who share this vision. We have a number of openings for actuaries, both entry level and experienced, in all of our offices. If you’re looking for the place to do your best work, we invite you to visit us at www.CCAstrategies.com.



CCA Strategies is proud to be a part of JPMorgan



Academy Spring Meeting

Marriott Wardman Park Hotel, Washington, DC
March 28, 2007

Join actuaries from the entire range of practice areas at the American Academy of Actuaries 2007 Spring Meeting in connection with the Enrolled Actuaries Meeting. Attend the Washington Luncheon to hear from a notable Washington public policy keynote speaker and join the actuarial community in honoring the recipient of the 2007 Robert J. Myers Public Service Award.

For details or to register now, visit our website at www.actuary.org.

