

Employer Group Waiver Plan Pharmacy Networks

Along with formulary and benefit design, pharmacy network strategy is another tool plan sponsors can use to help contain rising prescription drug costs. Medicare regulations do not permit many network strategies commonly used by commercial plans, such as mandatory mail programs or restricting refills at retail pharmacies. However, two different network strategies are widely used: preferred pharmacy networks and limited pharmacy networks.

Preferred pharmacy networks are becoming commonplace among Medicare Part D plans. In fact, between 2012 and 2013, the number of members enrolled in a Part D prescription drug plan with a preferred pharmacy network doubled.¹ In 2015, almost 90% of Medicare Part D plans have a preferred pharmacy network.² In a preferred network plan, benefits are designed with reduced member cost sharing at preferred pharmacies. Preferred pharmacies offer better pharmacy contract terms in the form of deeper drug discounts, lower dispensing fees or price concessions, which in turn allows the member to pay lower coinsurance or copays. Preferred pharmacy networks are estimated to save the Medicare program between \$7.9 to \$9.3 billion over the next decade.³

An alternative strategy to preferred pharmacies is a limited pharmacy network. As long as the plan meets Medicare's minimum pharmacy access requirements, it is permitted to drive competitive network rates, which may in turn lead some pharmacies to choose not to participate. With over 60,000 pharmacies in our nationwide network, there is a lot of room for negotiation.

While these pharmacy network strategies are commonplace, there are some important considerations:

Understand your current pharmacy network utilization and the impact of creating a preferred or limited pharmacy network

Make sure the change will still allow you to meet Medicare's minimum access requirements. Medicare requires plans to meet or exceed convenient access standards across urban, suburban, and rural areas in each state. Based on your member utilization, removing a pharmacy chain from your network could potentially cause major member disruption.

Communicate your pharmacy network to your members

Implement a strategy for communicating any pharmacy network changes and ensuring members know where to find the nearest participating pharmacy. If you have preferred pharmacies, make sure members understand that they will pay less if they use those pharmacies.

Both preferred pharmacy networks and limited pharmacy networks offer potential cost savings. By considering your pharmacy network as part of your overall benefit design and formulary strategy, you can ensure that you are leveraging all of the available tools to help manage your prescription drug costs.

1. Centers for Medicare & Medicaid Services, *Part D Claims Analysis: Negotiated Pricing Between Preferred and Non-Preferred Pharmacy Networks*; April 30, 2013; available from <http://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/Downloads/PharmacyNetwork.pdf>.

2. <http://www.drugchannels.net/2014/exclusive-walmart-and-walgreens.html> - Exclusive Walmart AND Walgreens Dominate 2015 Part D preferred Networks, With Independents Close Behind, October 21, 2014.

3. "The Impact of Preferred Pharmacy Networks on Federal Medicare Part D Costs, 2014-2023" Millman, October 2013. Stephen Kaczmarek, Andrea Sheldon, and David Liner.

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