
DRUG BENEFIT NEWS

Covering OTC Prescription Drugs Could Bring Next Big Wave of Savings for Payers

Like the generic prescription-drug revolution of the last decade, over-the-counter (OTC) drugs in the form of generic and store-brand prescriptions are expected to save payers billions of dollars in the next few years. While an increasing number of payers have added OTC drugs to their formularies, there are still many health plans that haven't realized the benefits of covering these products, such as improved drug tracking and better adherence (see box, p. 3), say some industry executives. However, implementing an OTC program can be tricky, and many payers aren't sure how to build OTC drugs into their plan design structure.

OTC products are "one of the most high-value classes of drugs that have largely been missed from the pharmacy value dialog," says Mark Fendrick, M.D., co-director of the University of Michigan's Center for Value-Based Insurance Design and a consultant to OTC manufacturer and marketer Perrigo Co. Store-brand or "off-brand" OTC drugs exist in most categories where there are brand-name OTCs — ranging from pain relievers to heartburn remedies.

More than \$12 billion in annual sales of the most popular brand prescription drugs will become available as OTC generics — and subsequently as even lower-cost store-brand OTC drugs — within the next five years, Fendrick explains. "But only innovative employers and payers that see the value proposition have been very aggressive to place drugs that are available over the counter in a situation for coverage," by placing them on a formulary, he tells *DBN*. OTC drugs are usually placed on tier one and have similar copayments as generics.

Yet this could soon change. Several of SXC Health Solutions Corp.'s clients, for example, are already covering OTC drugs, and many more are considering it for their 2011 formulary list, according to Jerry Shipkin, vice president of clinical services and chief clinical officer at the Lisle, Ill.-based parent of PBM informedRx. The holdup has been that many payers "aren't sure of how they should go about doing it," he tells *DBN*.

As with generics, one thing that has slowed the adoption of OTC drugs is the false perception that they may not be as effective as their brand counterparts. "The way

you're going to get members to go to the OTC is to first of all make sure that it doesn't cost them more than what it would cost them to just go to a generic or a brand... and then educate them on their equivalence," Shipkin says.

Another roadblock for OTC adoption has been that plan sponsors are unsure of how to build an OTC option into their established plan design structure. While OTC drugs will invariably save patients money, "you have to make sure that the pricing works for the payer as well, because in some cases, by pushing people to an OTC, you may have an impact on your rebates," Shipkin explains.

"The key to being successful depends on what strategy you use in covering OTC drugs," he adds. "The most important thing is to keep it inside your drug benefit — that way you'll have the ability to track the drugs as part of your members' overall patient record."

Some of SXC's clients with successful OTC coverage programs have taken a reference-based pricing approach, "where payers take the OTC as the reference product and price point in a specific class of drugs," Shipkin explains.

Others have established an entirely separate tier for OTC drugs — called tier zero — that sits one level below tier-one generics. In this situation, he says, payers are "trying to place the OTC in a better position for the member than the generic." For example, if the generic copayment is \$10 for a 30-day supply, the OTC drug on tier zero could be \$7.50 for a 30-day supply.

Payers See High OTC Retention Rates

"The pricing has to be advantageous so both the payer comes out with a lower cost by having an OTC strategy, and the member doesn't have an increase in their out-of-pocket cost," Shipkin maintains. While this approach has proven successful, most payers still choose to place OTC drugs on tier one alongside generics.

Blue Cross & Blue Shield of Rhode Island (BCBSRI) is one payer that has experimented with covering select OTC drugs. Last year, it concluded an "OTC Options" pilot program that offered members OTC allergy drugs at no charge. Under the test program, more than 4,600 members received OTC allergy drugs omeprazole (generic Prilosec) and loratadine (generic

Claritin) at a zero copayment for up to one year (*DBN* 4/18/08, p. 1).

Covering OTC omeprazole saved the plan and patients combined more than \$500,000, while loratadine coverage saved them more than \$750,000 for the program year, according to Tara Higgins, R.Ph., a clinical pharmacist with BCBSRI. In addition, the plan found that once its members switch or start on OTC drugs, "they tend to stay on OTCs," she says. For example, "we looked at OTC omeprazole use and found that over 85% of members did not have a prescription medication filled for that same class of medications within one year" of starting the OTC drug.

"We continuously look at what OTCs are available or becoming available," Higgins tells *DBN*. However, "to make it of value for consideration for coverage, it needs to be a class of medications that is large in volume and expensive." This is one reason why BCBSRI chose to cover omeprazole and loratadine. In addition, because the market availability of OTCs can change rapidly, "it

makes sense to have a program for a specific time frame," she adds.

Currently, the most popular classes of drugs for OTC coverage include proton-pump inhibitors (PPIs) and antihistamines. Prescriptions for PPI drugs climbed 4.7% in 2008 to 110 million and are expected to keep growing, according to Fendrick.

But because of the multitude of OTC products available, many plans no longer cover PPIs or non-sedating antihistamines, according to Laura Wesolowicz, director of pharmacy services at Blue Cross Blue Shield of Michigan. "And there may be opportunities to expand OTC coverage for some of the more costly branded prescription, non-sedating antihistamines that may move from prescription-only to OTC status in the near future," she tells *DBN*.

Shipkin says other categories of drugs that are expected to have some OTC drug entrants include sleeping aids, digestive aids, pain relievers and drugs to ease urinary incontinence and erectile dysfunction.

Including OTC Rx on Formularies Helps Track Patient Behavior, Utilization

Beyond significant cost savings, payers should consider adding over-the-counter (OTC) drugs to their formularies because of the care management information it can provide, experts say.

Patient monitoring and drug utilization tracking is one of the biggest reasons for considering coverage of OTC drugs, according to Mark Fendrick, M.D., co-director of the University of Michigan's Center for Value-Based Insurance Design and a consultant to OTC manufacturer and marketer Perrigo Co.

"If you allow doctors to write prescriptions and let the patient go through the motions that they were accustomed to for a drug that used to be [prescription] that is now OTC, it allows positive outcomes for the patients to get their medications at lower costs and allows our system to work the way it should to know what our patients are doing and, more importantly, not doing," he tells *DBN*.

Jerry Shipkin, vice president of clinical services and chief clinical officer at SXC Health Solutions Corp., agrees that one of the reasons to keep OTC drugs inside the pharmacy benefit "is to make sure that compliance and adherence with taking the medication is observed." This way, payers can have "visibility that a member is taking a certain medicine, [and] we can apply our insurance program to encourage patients to stay compliant."

SXC was able to track the brand-to-OTC conversion rate for one of its clients that started covering an OTC

proton-pump inhibitor last year. "In a six-month period, we've already seen a 34% switch to the OTC from the brand," Shipkin says. "This was obviously a pretty significant savings for them."

Aspirin, for example, is one OTC drug that Fendrick has been urging payers to cover because "it's one of the most important drugs in terms of assessing the quality of care in Americans," he says. "And until we figure out a way to get aspirin therapy and use of aspirin for heart attack prevention into the system, . . . we'll never really know in a rigorous way whether patients are doing what we want them to do."

Shipkin says he doesn't see the benefit of covering aspirin, only because it is so inexpensive. "It would almost be 100% copay," he explains. "And other than knowing the patient is taking it, there's no financial driver there that I can see."

Blue Cross & Blue Shield of Rhode Island (BCBSRI), on the other hand, is currently evaluating coverage of aspirin "since it would be inexpensive to cover, and would assist physicians and BCBSRI in tracking the use of aspirin and assist in the promotion of preventive medicine," contends Tara Higgins, R.Ph., a clinical pharmacist with BCBSRI.

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When looking at what drugs to cover, Fendrick advises, plans should be paying the most attention to generic or store-brand OTC medications. As with prescription drugs, OTC generics are less costly than the branded OTCs. "As people see the branded drugs go OTC, it's the savvier PBM who is noticing the store-brand version of the branded drug OTC, where basically the same chemical entity is at an even lower ingredient cost."

For example, non-sedating antihistamine Zyrtec — a branded OTC — retails for about 72 cents per

dose, while a generic or store-brand OTC costs only about 53 cents per dose. "The substantial drop off in ingredient costs for all agents as they go OTC makes them ripe candidates for a value-based pharmacy move," Fendrick says. Key examples include loratadine, cetirizine (generic Zytrec) and polyethylene glycol 3350 (generic MiraLAX).

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