



Medicare^{Rx}

Prescription Drug Coverage ^{Rx}

Working with Plan Formularies:

*Transition Supplies, Prior Authorization, Quantity Limits,
Step Therapy, Exceptions*

**2006 National *Medicare & You* Training
Centers for Medicare & Medicaid Services
March 2, 2006**

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Topics for Today's Discussion

- What you need to know about plan formularies
 - Transition Supplies
 - Prior Authorization
 - Quantity Limits
 - Step Therapy
 - Exceptions

Plan Formularies

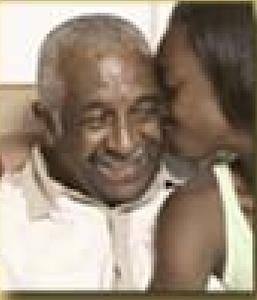
■ Medicare drug plans

- Do not cover every drug
- Must cover prescription drugs in all prescribed categories and classes
 - Must include more than one drug in each class
 - Safe and effective similar drug should be available
 - May be generic drug or therapeutic alternative
- Certain drugs are excluded by law
 - Medicare cannot pay for these drugs



Plan Formularies

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- Drug plans negotiate to get lower prices for the drugs on their formularies
 - Using drugs on a plan's list will save money
 - Enrollees will pay lower prices for prescriptions
 - Choosing a generic alternative instead of a brand-name drug can save money with each refill
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Generic Drugs

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- Almost half of prescriptions in U.S. filled with generic
 - FDA ensures generic drug is same as brand-name
 - Dosage
 - Safety
 - Strength
 - Quality
 - How it works, is taken, and should be used
 - Generic drugs
 - Use the same active ingredients as the brand-name drugs
 - Work the same way
 - Have the same risks and benefits as the brand-name drugs
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Plan Formularies

- Plans manage formularies using
 - Prior authorization
 - Step therapy
 - Encouraging use of generic drugs
 - Quantity limits
- Processes available to use
 - Transition supply
 - Exceptions
 - Appeals



Transition Supply

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- Plans must fill prescriptions not on plan's list
 - For new enrollees
 - For residents of long-term care facilities
 - Allows time for member and doctor
 - To find another drug on the plan's formulary
 - To request an exception
 - If person has already tried similar drugs and they didn't work or
 - If doctor believes a certain drug is necessary because of the person's medical condition
 - If the request is approved, the plan will cover the drug
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Transition Supply

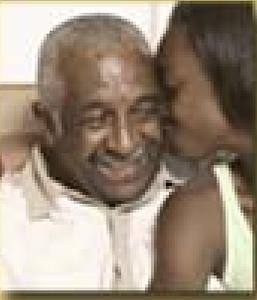
- Ensures prescription is filled
- Supply of current prescription either
 - Not on the plan formulary or
 - Subject to formulary rules
- Need to contact doctor to
 - Change prescription or
 - Request an exception

How Transition Works

- Immediate supply provided to new enrollee

If plan effective January 1 through March 1, 2006	Supply of the current prescription until March 31
If plan effective April 1, 2006, or later	Plan will fill one-time, 30-day supply of current prescription

- While using transition supply
 - Work with doctor to switch to drug on plan's list
 - If *medically necessary*, request an exception



Prior Authorization

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- For certain prescriptions, plans may require doctor
 - To contact the plan
 - To show there is a medical reason
 - Ensures drugs are used
 - Correctly
 - Only when medically necessary
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How Prior Authorization Works

- Plans may have rules requiring prior authorization
 - Doctor must first contact the plan
 - To show there is a medical reason why that particular drug must be used
 - Ensures certain drugs are used correctly and only when necessary
- Prior authorization is also required for specific drugs
 - Could be due to a very specific limited FDA indication
 - Drugs with a potential for misuse or overuse
 - Drugs that should be limited to a maximum quantity based on manufacturer information

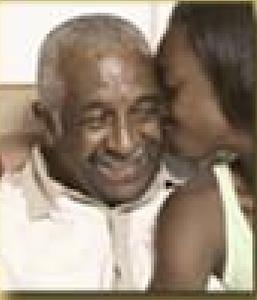
Step Therapy

- One form of prior authorization
- In most cases, must first try less expensive drugs
 - Proven effective for most people with condition
 - Can request an exception
 - Tried less expensive drug and it didn't work or
 - Doctor believes person must take the more expensive drug for reasons of medical necessity
 - If approved, plan will cover the more expensive drug



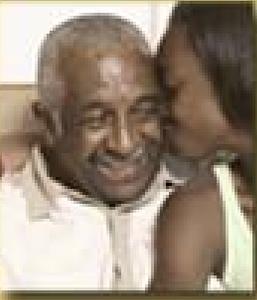
Quantity Limits

- Plans may limit quantity of a drug they cover over a certain time period
 - For safety and cost reasons
 - May ask plan for an exception
 - For reasons of medical necessity



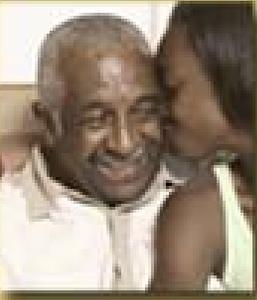
Requesting an Exception

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- Can request an exception from the plan
 - Contact the drug plan—the plan will advise
 - How to submit request
 - What information to submit
 - Doctor must submit supporting statement
 - Must demonstrate requested drug is “medically necessary”
 - After receiving physician’s statement, plan must notify enrollee of its decision within
 - 24 hours (expedited) or
 - 72 hours (standard)
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Tiered Pricing

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- Many plans place drugs into different “tiers”
 - To help lower costs
 - Tiers can be formed in different ways
 - Example of how it might work
 - **Tier 1:** Generic drugs—generally cost the least
 - **Tier 2:** Preferred brand-name drugs—cost more than tier 1
 - **Tier 3:** Non-preferred brand-name drugs—cost more than tiers 1 and 2
 - List may not include a person’s specific drug
 - If plan changes its drug list during the year, the plan must notify members of the change
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Tiered Exception

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- Obtain a non-preferred drug at the lower cost of drugs in the preferred tier
 - If the preferred drug for treatment
 - Would not be as effective and/or
 - Would have adverse effects
 - When approved
 - Plan must provide coverage at the cost-sharing level that applies for preferred drugs
 - But not at the generic cost-sharing level
 - For the remainder of the plan year
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Formulary Exception

- Gives access to drugs not included on formulary
- Plans must have procedures to ensure access to drugs not included on formulary
- Plans determine level of cost sharing

Appeals

- A person can appeal a Medicare drug plan's unfavorable exception decision
- First level is appeal to the plan
- Expedited appeals take only a few days
- An appointed representative may appeal
- Generally, must be made in writing
- Will receive information about appeal procedures upon enrollment
- Five levels of appeal



Remember



■ Plan ahead

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- Don't wait until transition supply is gone
 - Talk with doctor about
 - Prior authorization
 - Switching to covered drug
 - Asking for an exception if medically necessary
 - Contact the drug plan with questions about what is covered by the plan

For More Information

- Contact drug plan with questions about coverage
- Talk to doctor
 - About safe and effective alternative drugs
 - To request an exception if necessary
- Call State Health Insurance Assistance Program (SHIP)
 - Call 1-800-MEDICARE (1-800-633-4227) for SHIP telephone number
 - TTY users should call 1-877-486-2048
- Providers visit
www.cms.hhs.gov/center/provider.asp



Thank you for your attention

- This training will be available after the broadcast at <http://media.cms.hhs.gov/cms/partner03022006.wma>