

MEDICARE PART D 2008 DATA SPOTLIGHT: FORMULARIES

Prepared by Jack Hoadleyⁱ; Elizabeth Hargrave and Katie Merrellⁱⁱ; and Juliette Cubanski and Tricia Neumanⁱⁱⁱ

JANUARY 2008

Medicare Part D plans are required to maintain a formulary (list of covered drugs) that meets certain criteria established by law and guidelines from the Centers for Medicare and Medicaid Services (CMS).¹ Part D plan formularies typically include more drugs than minimum standards require, but formulary coverage varies considerably across plans. Some plans list all forms of a particular drug on their formulary, including both brand-name and generic alternatives, as well as different doses and forms. Other plans have a more restricted list of drugs, although they may cover some drugs not listed on their formulary in response to enrollees' requests for exceptions or successful appeals. Plans typically also place utilization restrictions, such as prior authorization, on some of the drugs listed on their formulary drugs.²

This Part D Data Spotlight examines formularies in the 47 unique, national stand-alone prescription drug plans (PDPs) offered by 15 organizations in 2008 (representing 88 percent of all PDPs nationwide), as well as changes since 2006. Findings are based on the authors' analysis of data from CMS on a sample of 169 drugs selected to include the most commonly prescribed drugs and all alternative medications in some of the drug classes most commonly used by Medicare beneficiaries.³ This research is part of a broader effort analyzing Medicare Part D plans in 2008 and key trends since 2006, with key findings summarized in a series of data spotlights.⁴

TRENDS IN PDP FORMULARIES, 2006-2008

Formularies for national PDPs list, on average, 85 percent of the 169 sample drugs in 2008, slightly less than the average in 2007 but slightly more than the average in 2006.⁵ According to a separate analysis for MedPAC, the share of sample drugs on formulary is similar to the share of all drugs, although plans that are similar in the number of on-formulary drugs may differ in how often utilization restrictions are applied to those drugs.⁶

The average share of sample drugs listed on formulary masks substantial variation in formularies across PDPs. About one-sixth (17 percent) of the national PDPs list all drugs in the sample in 2008 (Exhibit 1). Although sometimes referred to as "open" formularies, they usually include utilization restrictions on at least some covered drugs. Nearly half of the national PDPs (47 percent) list less than 80 percent of sample drugs. By contrast, in 2006, none of the national or near-national plans listed every drug in the sample, while more than half of all PDPs (57 percent) listed less than 80 percent of sample drugs.

Differences across plans in formulary treatment of sample drugs are primarily related to coverage of brand-name drugs. Over one-quarter of PDPs (28 percent) list 90 percent or more brands in 2008 (down slightly from 2006 and 2007), while the vast majority of plans (91 percent) list more than 90 percent of the generic drugs in the sample, a substantial increase from 2006 (69 percent).

Exhibit 1: Formulary Listing of Sample Drugs in Medicare PDPs, 2006-2008

	2006		2007		2008	
	Plans		Plans		Plans	
Total Sample	#	%	#	%	#	%
All sample drugs	0	0%	12	26%	8	17%
More than 90%	13	37	21	46	17	36
More than 80%	15	43	25	53	25	53
More than 70%	27	77	43	91	46	98
More than 60%	35	100	47	100	47	100
Brands						
All sample drugs	0	0%	15	33%	10	21%
More than 90%	11	31	16	33	13	28
More than 80%	15	43	22	47	15	32
More than 70%	17	49	28	60	20	43
More than 60%	21	60	36	77	35	74
More than 50%	30	86	44	94	42	89
More than 40%	35	100	47	100	47	100
Generics						
All sample drugs	0	0%	16	34%	22	47%
More than 90%	24	69	40	85	43	91
More than 80%	33	94	46	98	47	100
More than 70%	35	100	46	98	47	100
More than 60%	35	100	47	100	47	100

NOTES: Sample consisted of 152 drugs in 2006 (79 brands and 73 generics), 160 drugs in 2007 (84 brands and 76 generics), and 169 drugs in 2008 (84 brands and 85 generics).
SOURCE: Hoadley et al analysis of CMS data on stand-alone PDPs offered by national and near-national organizations, 2006-2008, prepared for the Kaiser Family Foundation.

FORMULARIES IN PDPs WITH THE HIGHEST ENROLLMENT

In 2006, none of the national or near-national PDPs with the highest enrollment listed all drugs on their formularies (Exhibit 2). Beginning in 2007, however, the two organizations with the greatest share of PDP enrollment (Humana and UnitedHealthcare) were among those that listed all drugs on formulary for at least some of their plans. Humana and UnitedHealthcare have adopted different strategies across their menu of PDP offerings. Humana lists all drugs on formulary for each of its three PDPs, while UnitedHealthcare does so only for the AARP MedicareRx Preferred Plan and an enhanced version of that plan. UnitedHealthcare offers a more restricted formulary in the AARP MedicareRx Saver Plan and some of its other PDP options (not shown in Exhibit 2), including the UnitedHealth Rx Value plan, which has the most limited formulary among the national plans available in 2008.

Author affiliations: ⁱ Georgetown University ⁱⁱ NORC at the University of Chicago ⁱⁱⁱ Kaiser Family Foundation

The Henry J. Kaiser Family Foundation Headquarters: 2400 Sand Hill Road, Menlo Park, CA 94025 (650) 854-9400 Fax: (650) 854-4800

Washington Offices and Barbara Jordan Conference Center: 1330 G Street, NW, Washington, DC 20005 (202) 347-5270 Fax: (202) 347-5274 Website: www.kff.org
The Kaiser Family Foundation is a non-profit, private operating foundation dedicated to providing information and analysis on health care issues to policymakers, the media, the health care community and the general public. The Foundation is not associated with Kaiser Permanente or Kaiser Industries.

Between 2006 and 2007, nine of the ten most popular plans included more sample drugs on formulary, despite the introduction of generic alternatives for some of the brand-name drugs in our original sample. Analysis shows greater stability between 2007 and 2008, although four PDPs listed fewer sample drugs in 2008, mostly because they dropped brands with generic alternatives. One exception is Caremark's Silverscript PDP (acquired by the chain drug store CVS in 2007), which increased formulary coverage of sample drugs by 50 percent in 2008. Notably, four of the top ten PDPs in 2008 list fewer than 120 of 152 sample drugs.

Exhibit 2: Formulary Listing of 152 Sample Drugs in Top Ten PDPs, By 2006 Enrollment, 2006-08

PDP NAME	ALL SAMPLE DRUGS*				
	Number Listed			Net Change	
	2006	2007	2008	2006-07	2007-08
AARP MedicareRx Preferred	145	152	152	+7	0
Humana Standard	146	152	152	+6	0
Humana Enhanced	146	152	152	+6	0
Wellcare Signature	106	107	107	+1	0
Community Care Rx Basic	116	119	115	+3	-4
UnitedHealth Rx Basic**	107	140	135	+33	-5
MedicareRx Rewards Value	109	115	110	+6	-5
Humana Complete	146	152	152	+6	0
Silverscript	109	112	150	+3	+38
Prescription Pathway Bronze	117	115	112	-2	-3

NOTES: Shaded cells indicate plans that list all drugs. *Includes the 152 sample drugs in the initial 2006 analysis. **Offered as PacificCare Saver in 2006.

SOURCE: Hoadley et al analysis of CMS data on stand-alone PDPs offered by national and near-national organizations, 2006-2008, prepared for the Kaiser Family Foundation.

FORMULARY LISTINGS BY TYPE OF DRUG

Across all national PDPs in 2008, an average of 98 percent of the generic drugs in the sample are listed, compared to an average of 73 percent of the brand-name drugs. Of the 85 generic drugs in the sample, two-thirds (56 drugs) are listed by all national PDPs in 2008, a substantial increase from 2007 when 33 generics were listed by all PDPs. Several other generics in the sample are missing from only a single plan formulary. Conversely, of the 84 sample brand-name drugs, only 17 drugs (20 percent) are listed by all plans in 2008.

Generic alternatives have been approved recently for several drugs in the original sample chosen for analysis in 2006. Most of the brand-name versions are no longer listed by a substantial majority of PDPs. Plans that include brands with generic alternatives typically place them on a "non-preferred" tier, meaning that enrollees must pay more to obtain these medications. Brand-name drugs still under patent protection are more likely to be on plan formularies, even if there are other generic options in the same drug class. Examples include the cholesterol medications Lipitor (on 91 percent of plan formularies) and Crestor (83 percent), and the proton pump inhibitors Nexium (89 percent) and Prevacid (68 percent).

Among sample drugs, the three drugs most commonly removed from national PDP formularies between 2007 and 2008 are Norvasc (for hypertension), Ambien (a sleeping aid), and Wellbutrin XL (an antidepressant), all brand-name drugs that recently lost patent protection. Sample drugs most commonly added to national PDP drug formularies for 2008 are Sertraline (generic for Zoloft), Glyset (a treatment for diabetes), Pravastatin (a generic statin for cholesterol), and Boniva (a relatively new drug used for osteoporosis).

DISCUSSION

The composition of PDP formularies is one of various factors that distinguish plans from their competitors. Organizations sponsoring PDPs may offer a larger formulary to attract enrollees, while a smaller formulary may be an effective tool to manage overall drug costs. The greatest differences across national PDPs in the scope of formulary coverage relates to the treatment of brand-name drugs. While some brands appear on all formularies, including those in the six protected classes, others are included by far fewer plans.

An important issue for consumers related to formulary coverage is that plans are allowed to change their formularies from year to year, by removing or adding drugs according to law and CMS guidelines, making substitutions of lower-cost generics for more expensive brands, or changing the status of covered drugs from preferred to non-preferred. Plans can also add or remove utilization management strategies for specific drugs, such as prior authorization. Such changes could affect out-of-pocket costs and access to medications for Part D enrollees, making the Part D plan formulary an important area for review by consumers.

¹ Plans must list at least two drugs in every drug category and class, as well as most or all drugs in six protected classes. See CMS, Chapter 6, "Part D Drugs and Formulary Requirements" in the Medicare Part D Manual (<http://www.cms.hhs.gov>).

² Utilization restrictions are discussed in a separate Part D Data Spotlight (<http://www.kff.org/medicare/med102507pkg.cfm>).

³ Details on the drug sample and methodology can be found in "An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans" (<http://www.kff.org/medicare/7489.cfm>). The initial analysis in 2006 included 152 drugs in the sample. Eight newly approved drugs were added to the sample in 2007, including new generics for drugs in the original sample and new drugs in the same classes. Another nine new generics were added in 2008, for a total of 169 drugs.

⁴ Other Medicare Part D 2008 Data Spotlights, based on the authors' analysis of CMS data, are available at <http://www.kff.org/medicare/med102507pkg.cfm>.

⁵ Some of the decrease in 2008 appears to result from the addition of new generics across the three years; some plans replaced the brand with only the generic version, while a few list only the original brand (which will probably change later in the year).

⁶ The MedPAC analysis, conducted by Hoadley et al, shows that the average formulary listed 87 percent of all chemical entities (81 percent when brand and generic versions were counted separately) and that national plans have slightly larger formularies than other plans.