



Drug Coverage in Essential Health Benefits Benchmark Plans: Formulary Analysis

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Research and Analysis by Avalere Health LLC
Funded, in part, by Pfizer

HHS' Regulatory Approach to EHBs Allows States to Select Benchmark Plans

- On December 16, 2011, the Department of Health and Human Services (HHS) released an informational bulletin presenting its intended regulatory approach on the essential health benefits (EHBs) that plans must cover under the Affordable Care Act (ACA)
 - » HHS' proposed approach gives states latitude to select a benchmark plan that reflects services offered by a typical employer plan
- HHS' bulletin—which serves as a roadmap to inform future rulemaking—only discusses covered services
 - » HHS will address issues such as cost-sharing, actuarial value, and implementation of EHBs in Medicaid in future guidance

Comments are due by January 31, 2012
No schedule has been announced regarding future rulemaking

HHS' Regulatory Approach Links EHBs to Benchmark Plans But Allows Insurers Flexibility to Design Benefits

- States would define EHBs by selecting a benchmark plan from four options:

One of the three largest **small group plans** in the state by enrollment

One of the three largest **state employee health plans** by enrollment

One of the three largest **federal employee health plan** options by enrollment

The largest **HMO plan** offered in the state's commercial market by enrollment

- HHS would allow plans to vary from the benchmark plan's benefit design by adjusting benefits and quantity limits and making actuarially equivalent substitutions of benefits within categories, as well as between categories
 - HHS proposes to allow insurers the flexibility to vary formularies as long as the plans cover at least one drug per category and class from the benchmark plan
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Avalere Examined Proxy Benchmark Plan Options to Identify the Extent of Variation in Formulary Drugs Covered

- As states begin selecting EHB benchmark plans, it will be important to understand the differences in covered services among the benchmark options
- Avalere sought to examine benchmark plan drug benefit formularies to identify how much variation exists among the options
 - » Due to limitations in obtaining state-level plan enrollment for the small group market, we selected plans to serve as proxies for high-enrollment small group plans

EHB Benchmark Plan Options	Proxy Plans Examined
Federal Employees Health Benefit Program (FEHBP)	BlueCross BlueShield Standard Option PPO, the FEHB plan with the highest nationwide enrollment
Small Group Plans in Key States*	California: Anthem Lumenos PPO Colorado: United Choice Plus POS** Maryland: CareFirst Blue Choice HMO HSA New York: United EPO Oxford Health Insurance

EPO = Exclusive Provider Organization; HMO = Health Maintenance Organization; HSA = Health Savings Account; POS = Point of Service; PPO = Preferred Provider Organization

*Plans were selected based on input from Pfizer and the availability of information on the state's small group markets and formularies. These plans represent small group plans provided by large carriers in the selected states.

**This is a 2011 formulary; a 2012 formulary was not yet available.



To Compare Formularies, We Identified the Number of Covered Drugs Within Selected Therapeutic Classes

- The selected formularies were reviewed for the number of brand-name and generic drugs* covered in each of nine classes from the United States Pharmacopeia (USP) Medicare Model Guidelines, Version 5.0

USP Category	USP Class
Antineoplastics	<ul style="list-style-type: none">■ Molecular Target Inhibitors
Blood Glucose Regulators	<ul style="list-style-type: none">■ Antidiabetic Agents
Cardiovascular Agents	<ul style="list-style-type: none">■ Alpha-Adrenergic Blocking Agents■ Angiotensin-Converting Enzyme (ACE) Inhibitors■ Angiotensin II Receptor Antagonists
Central Nervous System Agents	<ul style="list-style-type: none">■ Fibromyalgia Agents■ Multiple Sclerosis Agents
Respiratory Tract Agents	<ul style="list-style-type: none">■ Anti-Inflammatories, Inhaled Corticosteroids■ Antileukotrienes

*Combination products and extended release formulations were counted as separate products, but varying formulations (e.g., oral vs. injectible) of the same active drug were not differentiated.

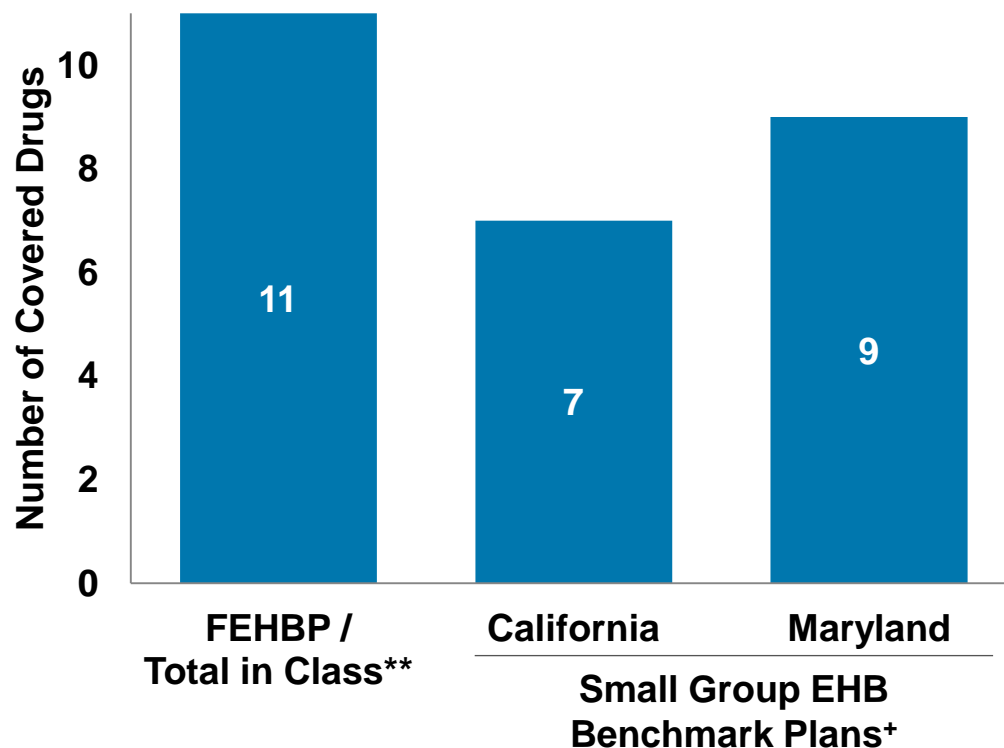
Key Findings: Plans Cover Significantly More Than One Drug Per Class

- All of the plans analyzed consistently covered a significant number of drugs in each class, well beyond the HHS' proposed one-drug-per-class minimum, as well as the Medicare Part D standard of two drugs per class
 - » For most of the classes in the study, plans covered at least 50 percent of both brand-name and generic products available in each class; in large classes, such as antidiabetic agents, small group plans cover more than 30 products
- HHS' proposed minimums would provide health plans significant flexibility in designing formularies that meet EHB standards and could result in significant plan-to-plan and state-to-state differences for consumers
- Additionally, we found that significant variation exists in the number of drugs covered per class among the plans we examined
- The FEHB plan, BCBS Standard PPO, is the most generous of proxy plans, as this plan has an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration
- Level of state-to-state variation within small group plans fluctuated by class

Antineoplastics: Molecular Target Inhibitors*

Molecular Target Inhibitors* Covered by Each Plan

■ Brand ■ Generic



*There are no FDA-approved generics in this class.

**The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

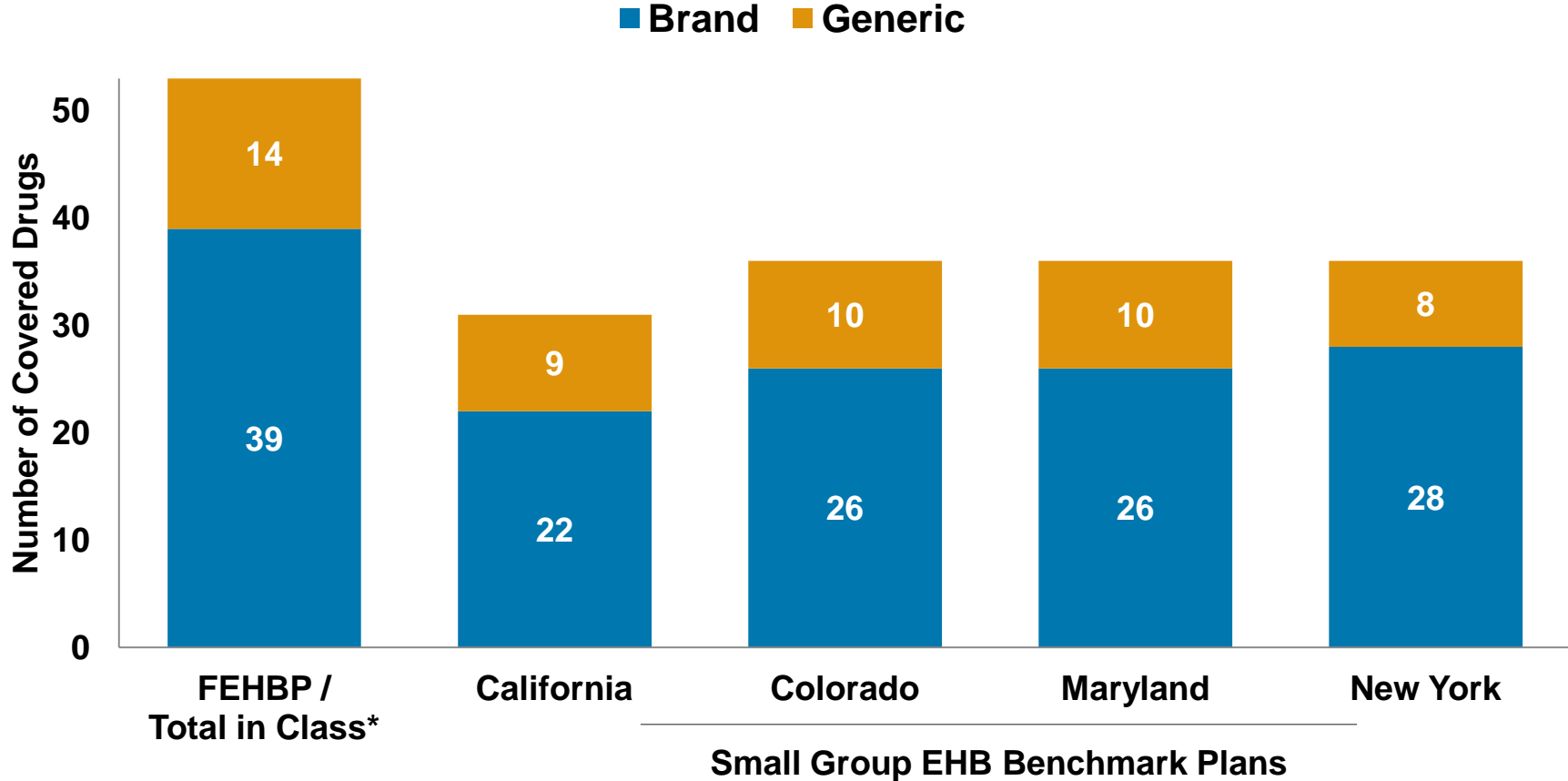
+ Proxy plans in CO and NY do not list antineoplastics on formularies and may address coverage policies for these drugs at a product level; access may vary.

Source: Avalere Health analysis using publicly available commercial formularies.



Blood Glucose Regulators: Antidiabetic Agents

Generic and Brand Antidiabetic Agents Covered by Each Plan



*The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

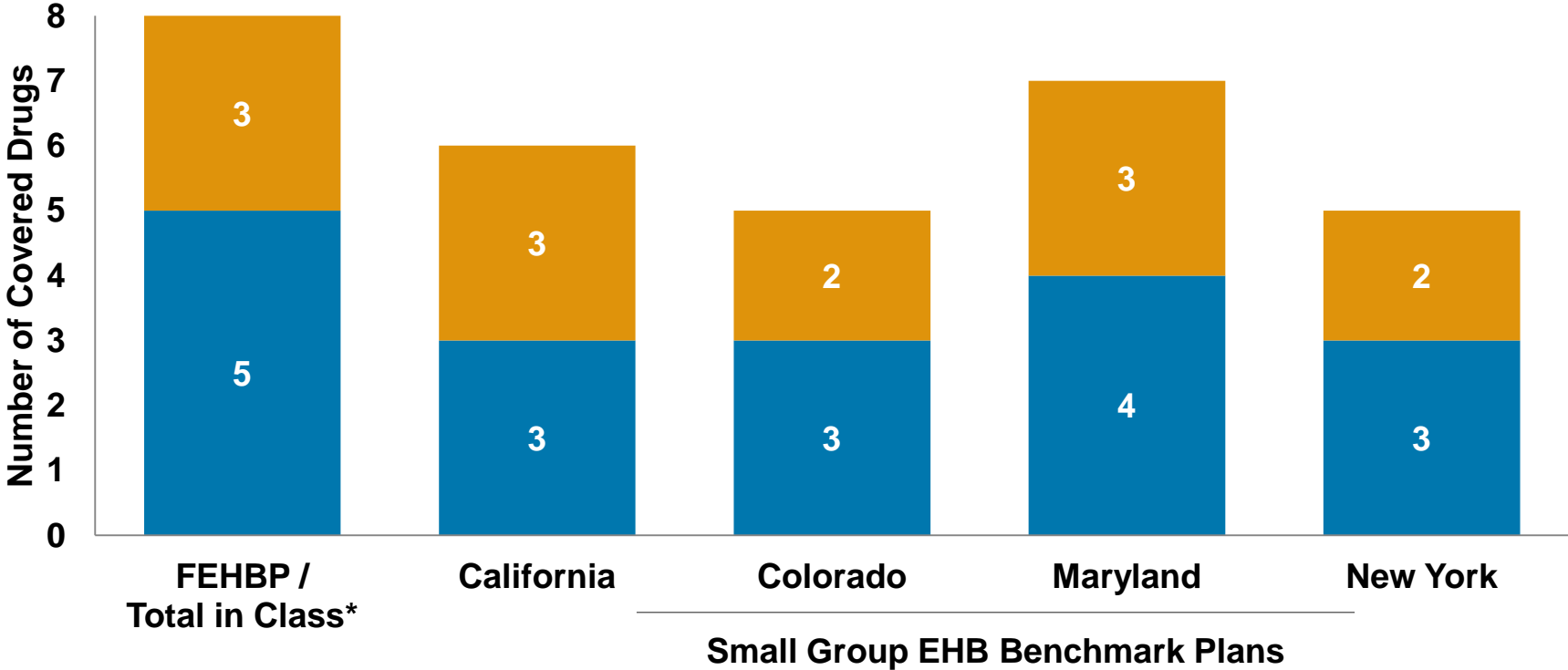
Source: Avalere Health analysis using publicly available commercial formularies.



Cardiovascular Agents: Alpha-Adrenergic Blocking Agents

Generic and Brand Alpha-Adrenergic Blocking Agents Covered by Each Plan

■ Brand ■ Generic



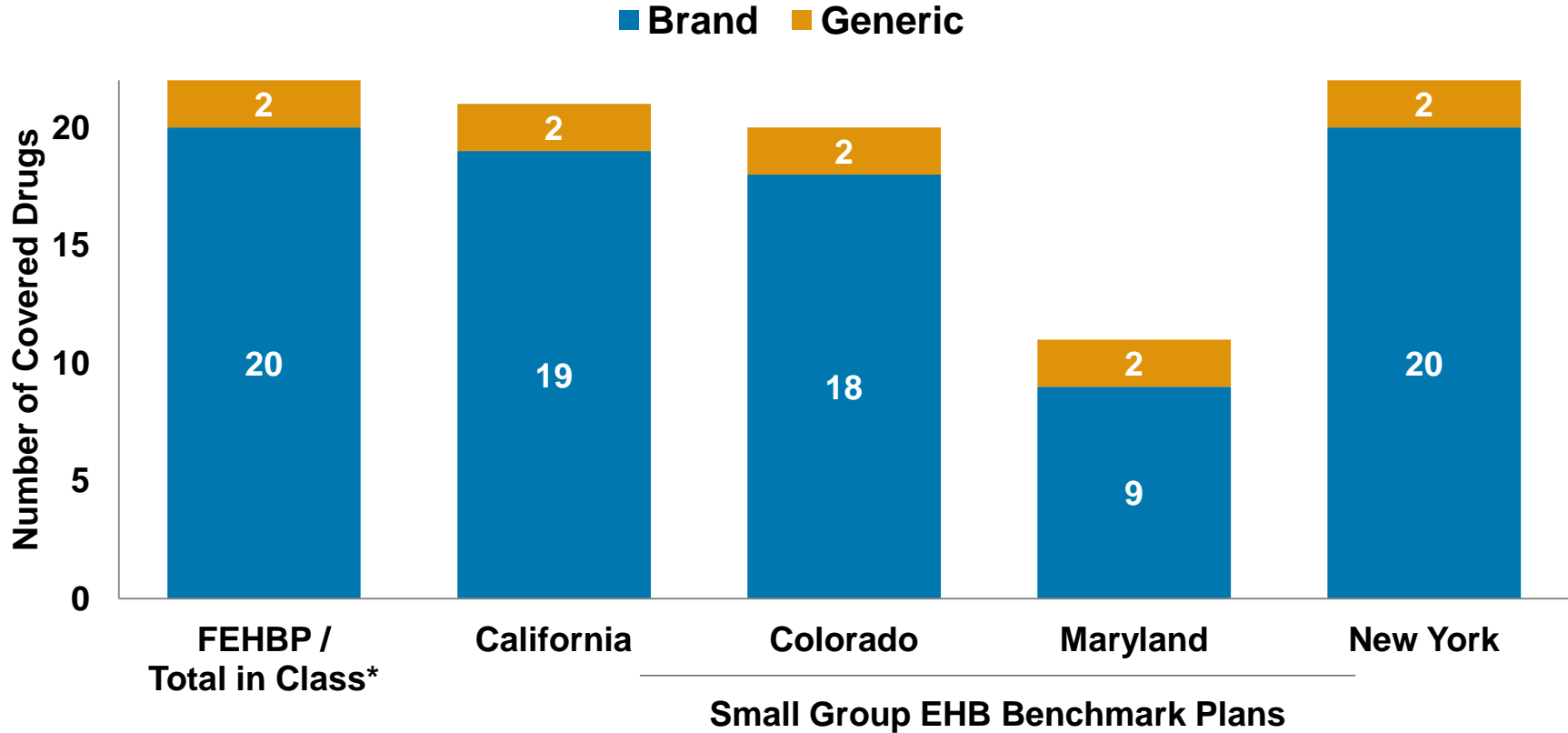
*The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

Source: Avalere Health analysis using publicly available commercial formularies.



Cardiovascular Agents: Angiotensin II Receptor Antagonists

Generic and Brand Angiotensin II Receptor Antagonists Covered by Each Plan



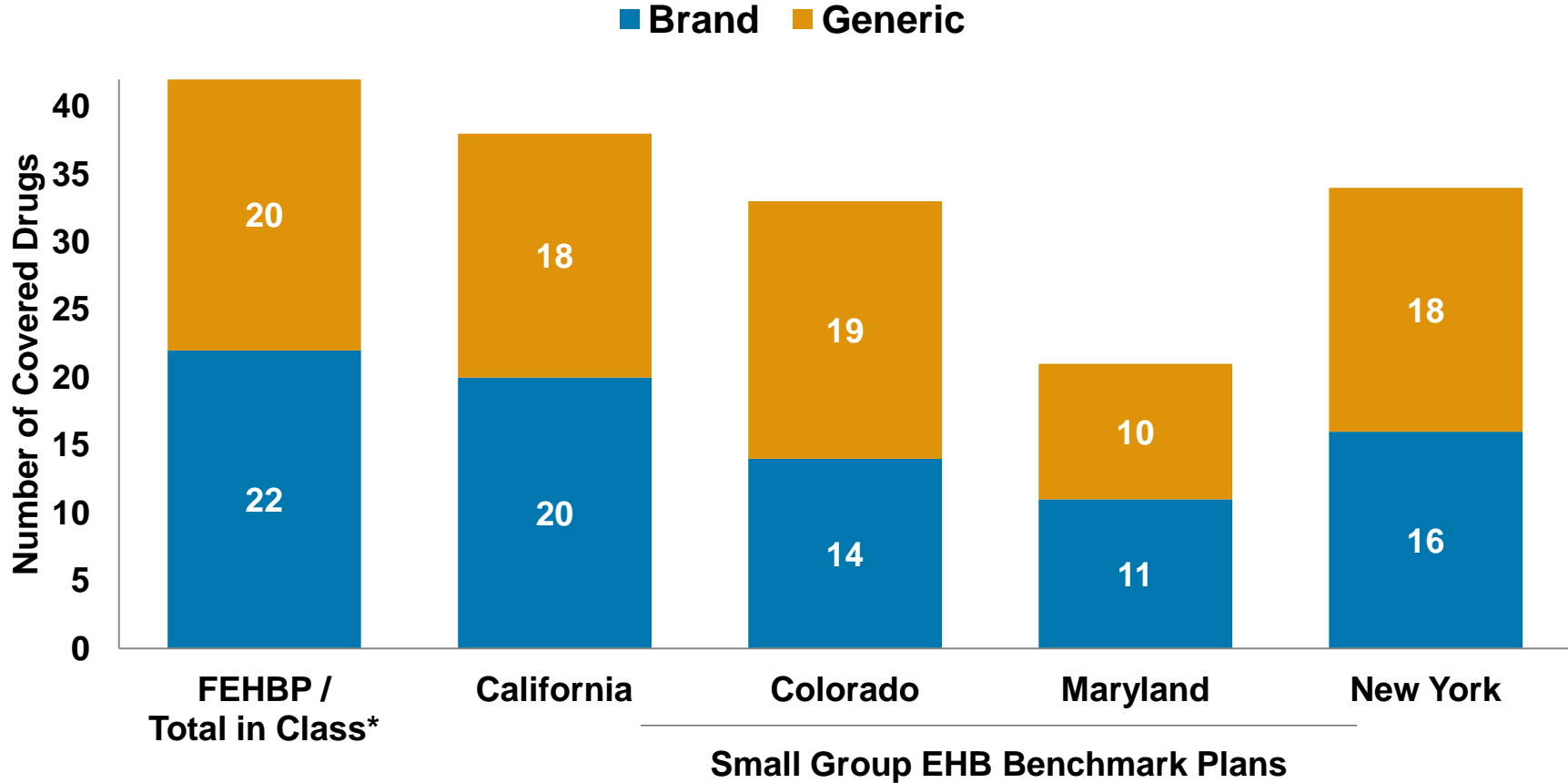
*The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

Source: Avalere Health analysis using publicly available commercial formularies.



Cardiovascular Agents: Angiotensin-Converting Enzyme (ACE) Inhibitors

Generic and Brand ACE Inhibitors Covered by Each Plan



*The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

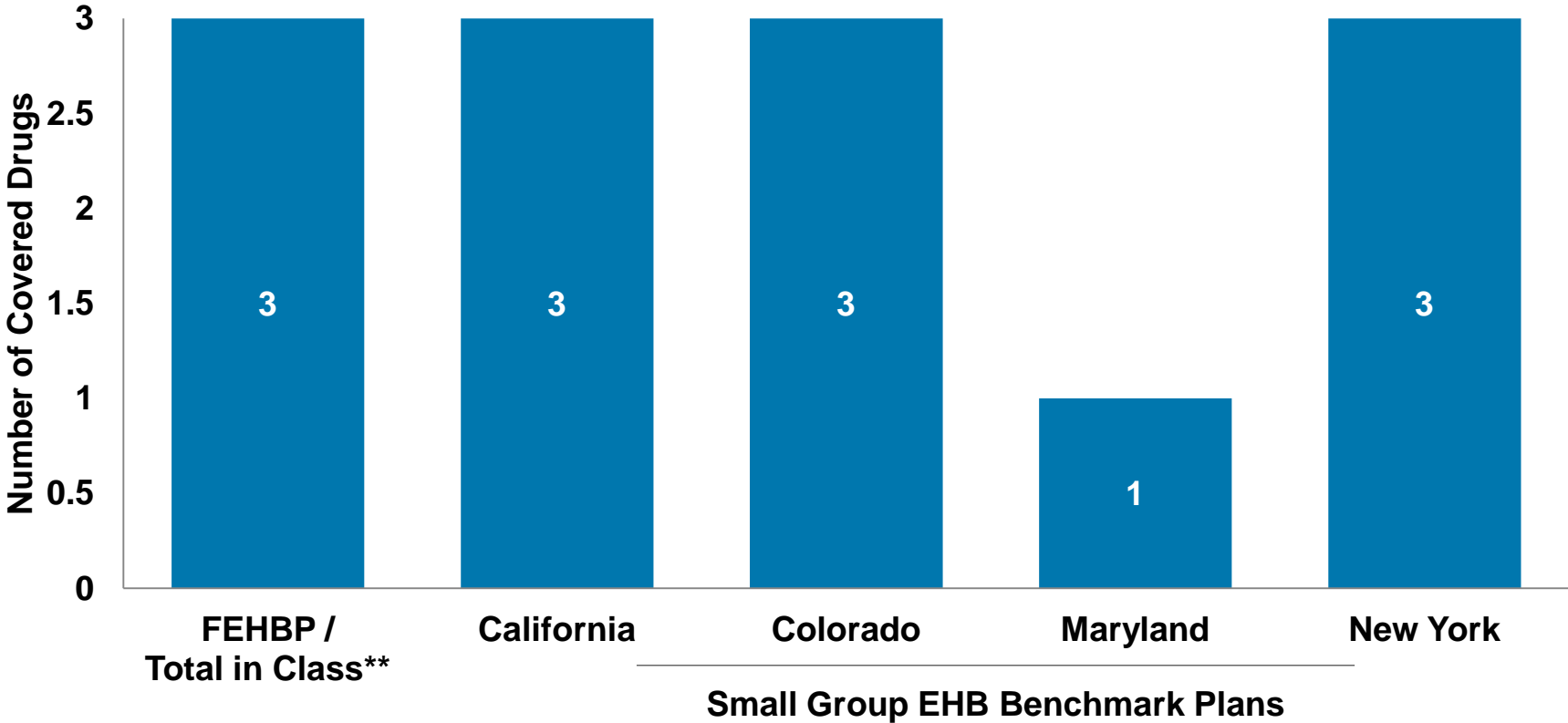
Source: Avalere Health analysis using publicly available commercial formularies.



Central Nervous System Agents: Fibromyalgia Agents

Fibromyalgia Agents* Covered by Each Plan

■ Brand ■ Generic



*There are no FDA-approved generics in this class.

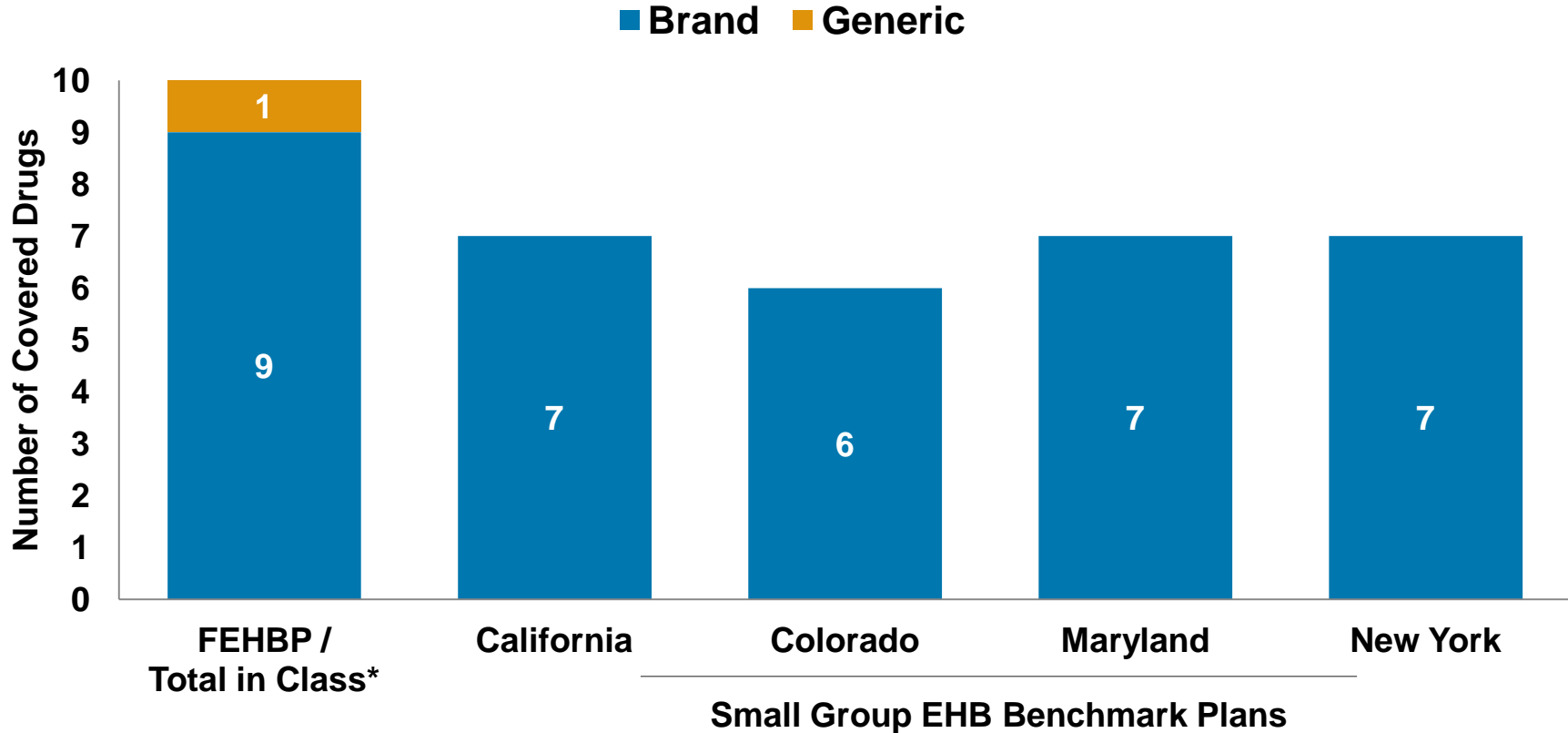
**The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

Source: Avalere Health analysis using publicly available commercial formularies.



Central Nervous System Agents: Multiple Sclerosis Agents

Generic and Brand Multiple Sclerosis Agents Covered by Each Plan



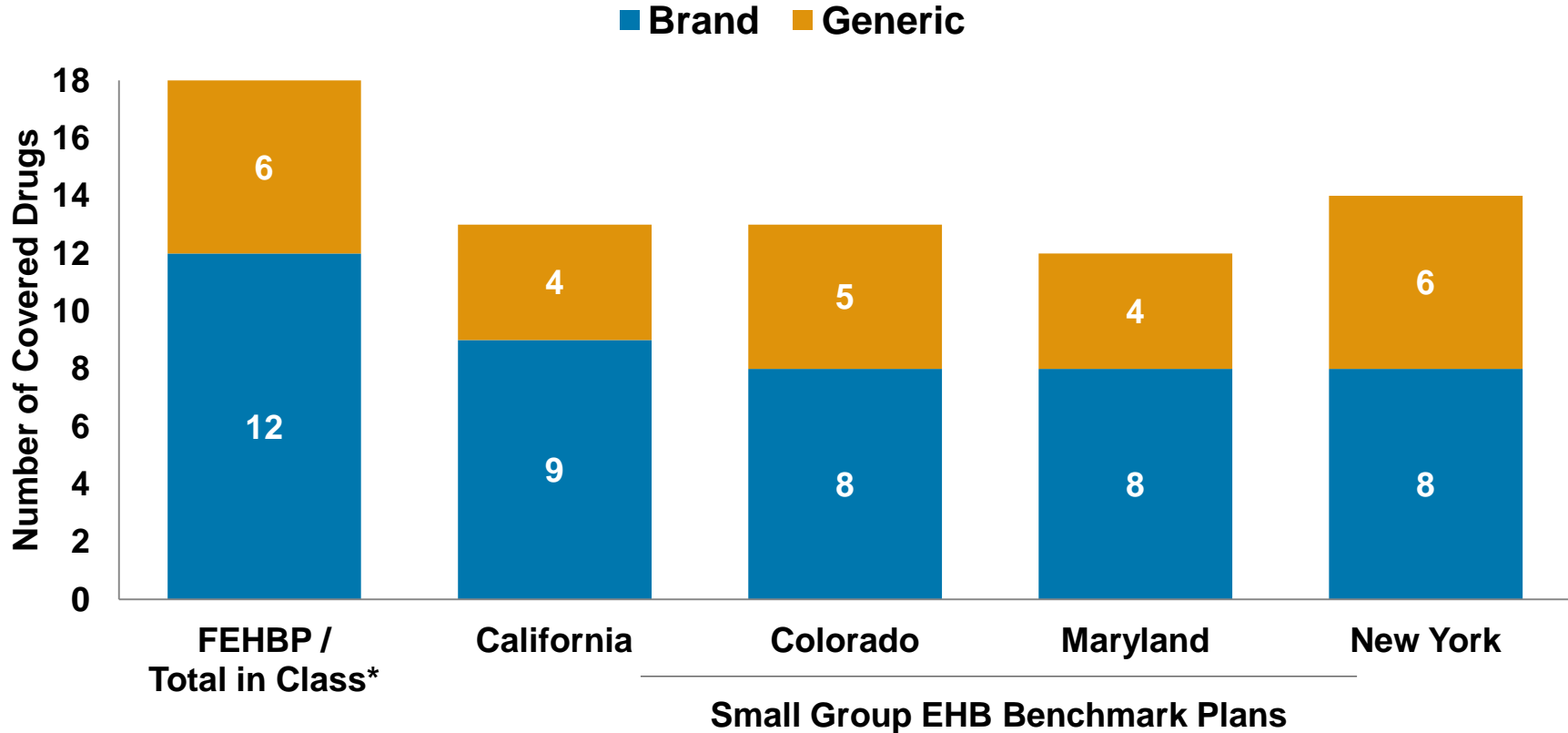
*The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

Source: Avalere Health analysis using publicly available commercial formularies.



Respiratory Tract Agents: Anti-Inflammatories, Inhaled Corticosteroids

Generic and Brand Inhaled Corticosteroids Covered by Each Plan



*The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

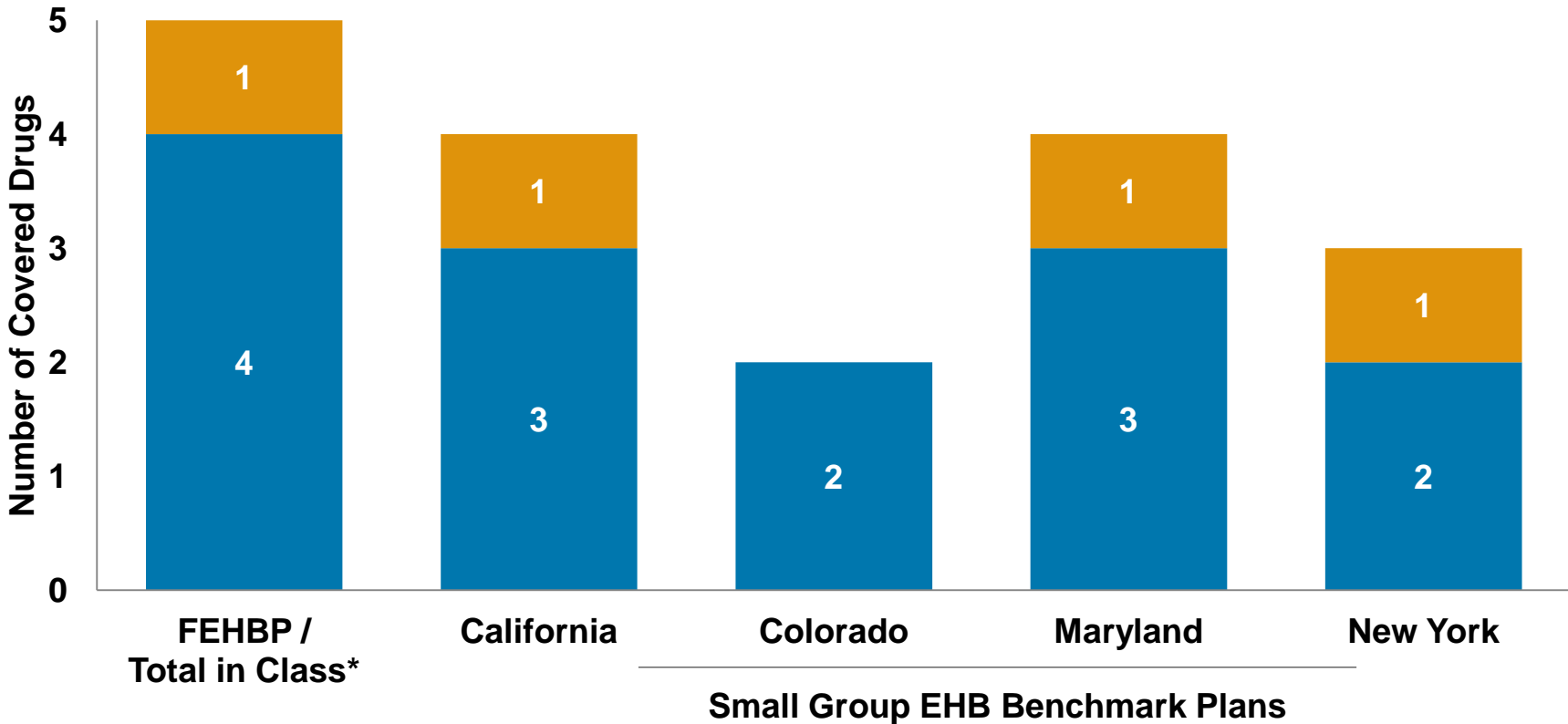
Source: Avalere Health analysis using publicly available commercial formularies.



Respiratory Tract Agents: Antileukotrienes

Generic and Brand Antileukotrienes Covered by Each Plan

■ Brand ■ Generic



*The FEHBP Standard Option is an open formulary—covering all commercially available drugs approved by the U.S. Food and Drug Administration. FEHBP-covered drugs represent all drugs available in the USP class.

Source: Avalere Health analysis using publicly available commercial formularies.



Methodology: Avalere Identified Proxy Benchmark Plans Based on Publicly Available Information

- Due to limitations in obtaining state-level plan enrollment for the small group market, Avalere selected plans to serve as proxies for high-enrollment small group plans
 - » Due to variations in available data, this methodology differed by state (detailed below)

Benchmark Plan Options	Methodology	Link
FEHBP Blue Cross Blue Shield Standard Option PPO	Plan with the largest FEHB enrollment nationally ¹	www.caremark.com/portal/asset/feprx_drug_list48.pdf (dated 11/4/2011)
California: Anthem Lumenos PPO	Report from state lists Anthem as top 3 small group carrier ²	www.anthem.com/ca/health-insurance/nsecurepdf/pharmacy ABC tiered11 DL
Colorado: United Choice Plus POS	Report from state lists United as top 2 small group carrier ³ ; Choice Plus plan frequently top enrollment plan on www.healthcare.gov ⁴	www.myuhc.com/content/myuhc/Member/Assets/Pdfs/UHC Prescription Drug List.pdf
Maryland: CareFirst Blue Choice HMO HSA	CareFirst Blue Choice plan frequently top enrollment plan on www.healthcare.gov ⁴	notesnet.carefirst.com/formulary/formulary.nsf/vwprintcode/print?Opendocument
New York: United EPO Oxford Health Insurance	United EPO plan frequently top enrollment plan on www.healthcare.gov ⁴	www.oxhp.com/secure/materials/employer/Oxford Traditional PDL.pdf

EPO = Exclusive Provider Organization; FEHBP = Federal Employees Health Benefits Program; HMO = Health Maintenance Organization; HSA = Health Savings Account; POS = Point of Service; PPO = Preferred Provider Organization

¹ <http://www.federaltimes.com/article/20101117/BENEFITS04/11170304/1041/BENEFITS>

² Avalere analysis of CA Department of Managed Healthcare's Health Plan Financial Summary Report, <http://wps0.dmhc.ca.gov/flash/>

³ 2010 and 2009 Colorado Small Group Market Activity and Rating Flexibility Report, Division of Insurance

⁴ Avalere searched several key zip codes and sorted by enrollment to find high-enrollment plans on www.healthcare.gov



Methodology: Avalere Assumed Formularies Generally Represent Complete Drug List; Focused Solely on Coverage

- In general, Avalere assumed that the formularies we examined represent complete drug lists
 - » That is, if a specific product is listed, then it is considered “covered;” if a specific product is omitted, then it is considered “not covered”
 - » Combination products and extended release formulations were counted as separate products, but varying formulations (e.g., oral vs. injectible) of the same active drug were not differentiated
- However, there were a few key exceptions. Specific assumptions include:
 - » Because the FEHBP Blue Cross Blue Shield Standard Option PPO characterizes its formulary as “open,” Avalere considers all products “covered”¹
 - » The small group plans we examined in Colorado (United Choice Plus POS) and New York (United EPO Oxford Health Insurance) do not list antineoplastics on formularies. Avalere assumes these plans address coverage policies and cost sharing for these drugs at a more specific product level; thus, coverage may vary depending on the benefit design of the specific plan
- Additionally, we focused our study on formulary coverage only, and did not examine utilization management, tier placement, cost sharing, or premiums in the selected plans; however, all of these factors are important to consider when weighing drug access in a given plan

¹ Page 4: http://www.caremark.com/portal/asset/feprx_drug_list48.pdf

For More Information on This or Similar Analyses, Contact Avalere Health's EHB Experts

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Avalere maintained editorial control of the content, and the conclusions expressed here are those of the study's authors.
