

*An Evidence-Based Approach* TO BETTER HEALTH AND VALUE

**A Discussion on:**

**The Three Simple Rules  
of Pharmacy Benefit Design**

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In order to provide guidance to plan sponsors in the setting of benefit design and copayments, Express Scripts developed a series of discussion papers highlighting the latest research. The first, *Three Simple Rules*, sets out the general rules that clients should consider when setting or changing member copayments. The second in the series provides Express Scripts' latest research and insights that drive toward lowest net cost by optimizing the framework, or benefit design, through which members will choose the lowest net cost channel and drug agent.

### **The Three Simple Rules of Pharmacy Benefit Design**

Selecting the structure of a prescription-drug benefit, including determining formulary and setting copayments, can be a complex decision for many plan sponsors. However, 'getting it right' is key to how members will utilize lower-cost agents and the lowest-cost channel, resulting in the lowest net cost — the goal of prescription-drug benefit plan design.

In structuring the prescription-drug benefit, plan sponsors should keep in mind three simple rules:

- Keep it simple
- Consider Employee Acceptance
- Optimize the choice framework for members and their physicians

#### **1. Keep it simple**

The appropriate plan design can drive members toward the lowest cost drug and channel. Yet for plan design to be optimally effective, members have to know what their copayments are. However, even within relatively simple cost-sharing structures, only 27% of adult members with prescription coverage knew their copayment structures and amounts.<sup>i</sup> For that reason, we encourage clients to keep it simple, and avoid making the benefit even more complex by adding deductibles, 4<sup>th</sup> and 5<sup>th</sup> tiers, or changing to coinsurance. While taking these actions may reduce costs for plan sponsors, they only add to member confusion, and don't drive members to the lowest cost agent.

#### **2. Consider employee acceptance**

There are many factors that influence plan sponsor decisions when establishing plan design and setting copayments. Important among them is the impact of these decisions on member behavior. Two factors to consider with respect to member impact and acceptance are price sensitivity and the impact of changes on member disruption.

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- **Income** – It is important to remember that lower income employees are more sensitive to price - i.e., they tend to respond negatively to price increases by reducing utilization, which affects compliance more frequently compared to higher income employees. Therefore, plan sponsors with lower income populations should ensure that copayments are within the means of lower income employees and members.
- **Disruption** – Significant changes in plan design often causes disruption, which can lead to dissatisfaction. For this reason, it's important to engage and educate members when making changes to the benefit. Go slow, and include appropriate and targeted communications to inform members of changes in benefit design, directing them to the lower cost alternatives and the lowest cost channel.

### 3. Optimize the Choice Framework

Whenever possible, retain employee choice. It's been shown that when members are given a choice, their satisfaction levels remain higher. This can be achieved by:

- Choosing a formulary that fits your goals
- Creating a mix that uses a flat, three-tiered copayment structure, and sets a \$15 to \$20 differential between each tier
- Select a channel that includes Home Delivery, with copayments at 2 to 2.5 times the retail copayments

#### **Provide a Member-Friendly Benefit in Terms of Communication and Information Accessibility**

Plan designs should be structured in ways that members can understand, and that allow them to use the benefit with relative ease. Accomplishing this will require good communication with members, including:

- Easy-to-understand explanation of benefits
- Cost-sharing structures that are easily understood by members
- Timely notification about changes in plan design
- Multiple channels for the member to contact the PBM

Most plan sponsors don't typically think of using benefit design as a way to influence member choice, but research has shown that appropriately structuring the benefit can make a significant difference in driving patients to the right channel and the lowest cost drug. However, financial incentives alone are not sufficient to fully achieve the cost savings potential. Taking advantage of behavioral economics principles and Consumerology® strategies in structuring benefit design can lead to even greater success.



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<sup>i</sup> Reed M, Brand R, Newhouse JP, Selby JV, Hsu J. Coping with prescription drug cost sharing: Knowledge, adherence, and financial burden. *Health Services Research*. 2007;43(2):785-797.