Volume 15, Number 13 July 11, 2014

Drug Benefit News

Catamaran Makes Formulary Cuts, But Preserves Specialty Access

Following in the footsteps of CVS Caremark Corp. and Express Scripts Holding Co., Catamaran Corp. unveiled a new standard formulary that excludes 54 brand-name drugs. But where Catamaran's formulary exclusion strategy deviates from those of its major competitors is that the newly trimmed formulary is optional and leaves specialty drugs out of the equation.

As part of the new Value Formulary, Catamaran eliminated 54 brand drugs "deemed to offer limited clinical value over other less costly therapeutic alternatives," explains David Calabrese, vice president and chief pharmacy officer. Catamaran estimates the removal of these agents will impact only 1% to 3% of clients' membership and projects it will deliver savings of approximately 3% off total drug expenditures.

But clients are not required to use the formulary, and may continue to earn rebates on brand-name drugs regardless of which option they choose. Calabrese says that the financial advantage of the Value Formulary lies largely with the increased opportunity to improve generic utilization rates, since a "good majority" of the products included on the list have generic alternatives.

"With the average cost of a brand-name drug being 10 times that of a generic drug in today's environment, the movement of patients from brand to generic alternatives far and away exceeds any incremental rebate earnings from an overall financial perspective," Calabrese asserts. "Nonetheless, we have structured our Value Formulary to ensure that brand-name drug rebates are preserved for those who do employ this formulary, and conversely, do not penalize those that utilize one of [Catamaran's] other standard formulary options and wish to stay with that option."

"It is important to note that there is a difference between a generic alternative and a generic equivalent," points out Craig Oberg, R.Ph., a managing consultant with The Burchfield Group. "For example, omeprazole is a generic equivalent to Prilosec but omeprazole is a generic or therapeutic alternative to Nexium. Asking a patient to switch to a therapeutic alternative product is far more disruptive than asking the patient to use a chemically equivalent product."

Catamaran also chose not to exclude any specialty products. "Catamaran elected not to include specialty drugs on its exclusion list given the complex nature of these agents and the complex diseases that they commonly treat," explains Calabrese. "We did not feel it would be clinically appropriate to force a patient who is well-established on one of these medications to switch to an alternative. Rather, we work with our clients to control costs of specialty medications through more traditional yet clinically sound means, such as prior authorization and step therapy."

Meanwhile, Express Scripts updated its National Preferred Formulary for 2014 with the removal of 48 products that it said would represent about 1% of total drugs and would drive annual savings of more than $700 million. While the exclusions were primarily determined by clinically based pharmacy and therapeutics committee recommendations, more than 90% of the excluded drugs were associated with a copay card program and several excluded products were specialty drugs.

New Formulary Is Optional

"Offering the exclusion list as an optional measure is a smart move on Catamaran's part," suggests Josh Golden, a pharmacy consultant with Pharmaceutical Strategies Group LLC, who predicted that more PBMs would follow suit if Express Scripts pulled off its first round of formulary exclusions without significant pushback. "It affords them some additional financial maneuverability in sales situations, while avoiding any major disruption among existing clients."

CVS Caremark pioneered the formulary exclusion strategy in late 2011 when it cut 34 products from its Standard Formulary, and has continued to remove select brands from that formulary every year since. The Standard Formulary now excludes 70 drugs, including five injectable growth hormone agents in favor of Eli Lilly & Co.'s Humatrope and Novo Nordisk's Norditropin.

"Obviously, to move a branded drug off a formulary, there has to be either really good, clinically comparable branded drugs or generics available to the marketplace," explains Jon Roberts, president of CVS

Caremark's PBM business. "When we began to narrow coverage on branded drugs three years ago, we saw a lot of members transition from high cost brands to low cost generics, so that has been very successful for us."

"Catamaran is one of the large PBMs in the marketplace and by creating a formulary that excludes certain brand products, they will be keeping pace with their key competitors — Caremark and Express Scripts," observes Oberg. But acceptance of the Value Formulary will depend on where the client is with their efforts to promote generics, he suggests.

"If the plan sponsor has aggressively promoted the use of generics by including mandatory generic provisions and step therapy initiatives in their benefit design, the 'Value Formulary' will appear as a logical and acceptable next step," says Oberg. "However, Catamaran clients that have managed a more open benefit may find it difficult to accept the member disruption generated by moving to the 'Value Formulary.' Each client will need to determine if the savings produced by Catamaran's newest formulary option is worth the level of member disruption that will occur to determine what is the best fit for their plan."

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