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Formulary Management

September 16, 2014

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Formulary

- **A continually updated list of medications and related products supported by current evidence-based medicine, judgment of physicians, pharmacists and other experts in the diagnosis and treatment of disease and preservation of health.**
- **Purpose is to encourage the use of safe, effective and evidence-based medications.**

Types of Formularies

- **Open**
 - educational, all drugs covered
- **Tiered**
 - open with variable coverage
- **Closed**
 - non-formulary drugs are not covered unless “medically necessary”
- **Partially/Selectively Closed**
 - certain drugs &/or classes excluded

History of Formularies

1940s

Rudimentary drug lists

1950s

Implementation of hospital formulary systems

1960s

Medicare requires formularies. Hospitals require P&T Committee in its accreditation.

1970s

Formularies are adopted by managed care plans

1980s

Clinical, economic value of formularies documented in the peer-reviewed literature

1990s

Formularies are the foundation of pharmacy benefit programs.

2000s

The advent of the tiered formulary with increased member cost-sharing

2010s

Specialty drugs driving pharmacy costs. Managed closed formularies on the rise

Formulary Selection

- **Safety, efficacy and therapeutic need are the primary criteria for drug inclusion on a formulary**
 - These are evidence-based
- **Cost may be a secondary criterion, however, a lower cost drug for a like condition may not automatically gain formulary access**
- **Based on recommendations of the Pharmacy and Therapeutics (P&T) Committee**

Pharmacy and Therapeutics (P&T) Committee

- **Members**
 - Physicians
 - Pharmacists
 - Nurses
 - Administrators
 - Quality Assurance Coordinators
 - Epidemiologists/specialists
 - Ethicists
- **Usually independent of the health plan sponsor**
- **Required to reveal any conflicts of interest**
- **Often identity of members is confidential to avoid outside influence**

P&T Committee Responsibilities

- **Establishes and maintains the formulary system**
 - A comprehensive, standardized, evidence-based process for the evaluation of clinical and economic data
- **Meet regularly to review and update the formulary (living document)**
- **Oversee quality improvement programs involving drug use evaluations**
- **Implement drug use programs such as generic substitution and therapeutic interchange**
- **Develop policies and procedures for the use of non-formulary drugs**

P&T Criteria for Decision-Making

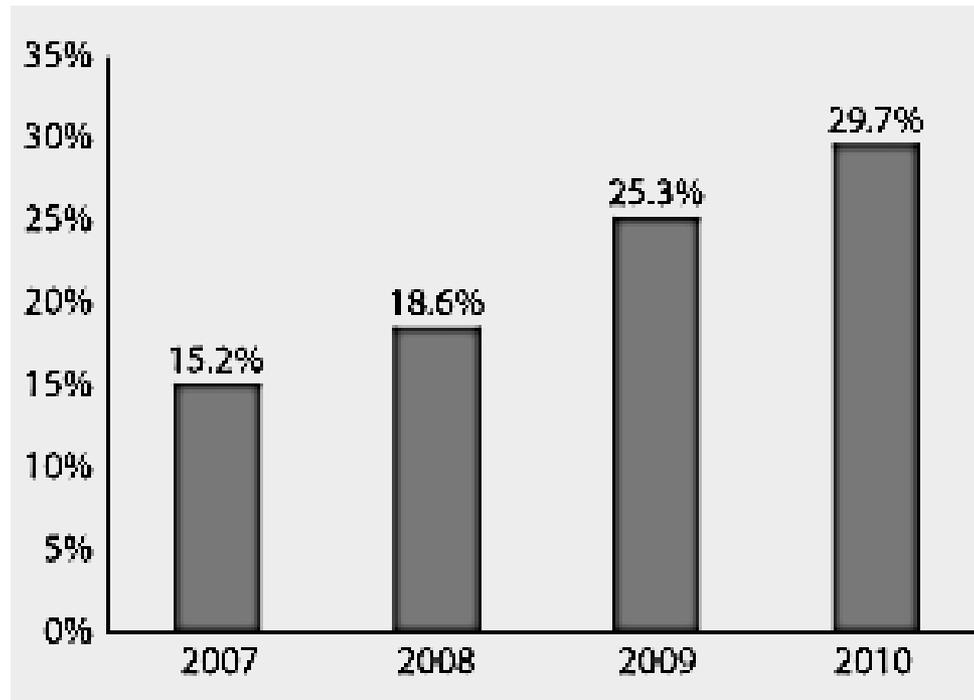
- **Relative efficacy**
- **Drug use evaluation (effectiveness)**
- **Relative safety**

Non-Formulary Drugs

- **Formulary systems should:**
 - Provide exception guidelines for non-formulary drugs to meet individual patient needs
 - Provide access to a formal appeals process if a request for a non-formulary drug request is denied
 - Have a process for a timely decision to be made on a non-formulary drug request
 - Have a non-punitive policy for providers who prescribe non-formulary drugs

Closed formularies regain a hold

In commercial HMOs with a three-tier drug benefit design, the share of enrollees subject to closed formularies nearly doubled in three years.



Sources: Sanofi Aventis Managed Care Digest Series, HMO-PPO Digests, 2008, 2009, 2010, 2011 Source of graphic: Dalzell MD. The Closed Formulary Makes a Comeback. *Managed Care*, July 2012, at http://www.managedcaremag.com/archives/1207/1207.closed_formulary.html

Smart Formulary Management

2014 Express Scripts Drug Trend Report

- **Goal:**
 - remove waste, lower healthcare costs and improve patient outcomes
- **Action:**
 - moved 48 products to “not covered” status
 - Represent 1% of products on the formulary
 - Used by fewer than 3% of members
 - Clinically equivalent alternatives on the formulary
 - Nearly all have copayment cards
- **Result:**
 - Clients who choose the Smart Formulary, Express Scripts National Preferred Formulary, experienced an estimated \$700 million savings in the next year based on these exclusions

<http://lab.express-scripts.com/insights/drug-options/smart-formulary-management>

Conclusions: Qualities of a Good Formulary System

- **Discloses the existence of a formulary**
- **Transparent to members and providers**
- **Informative and evidence-based**
- **Proactively informs providers of changes and alternatives**
- **Provides rationale for specific formulary decisions when requested**