



## **Agenda Item 9**

September 16, 2014

**ITEM NAME:** Considerations in Formulary Management Programs

**PROGRAM:** Health Benefits

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

Prescription drug benefits have become a large component of health care and its cost. A drug formulary is one component of health care management. It enhances existing medication management practices while maintaining and improving quality patient care. Formulary management is an integrated patient care process to encourage clinically sound, evidence-based, and cost-effective medication use.

This agenda item provides general information regarding the history of formularies, what is a formulary, different types of formularies that exist, formulary development process, and industry practices.

### **STRATEGIC PLAN**

This agenda item supports Goal A, Improve long-term pension and health benefit sustainability, by ensuring cost-effective prescription drug utilization.

### **BACKGROUND**

A drug formulary is a continually updated list of medications supported by current evidence-based medicine, judgment of physicians, pharmacists and other experts in the diagnosis and treatment of disease and preservation of health. The primary purpose of the formulary is to encourage the use of safe, effective and most affordable medications. Health plans and Pharmacy Benefit Managers (PBM) may only pay for medications that are on the formulary.

### **ANALYSIS**

As stated by the Academy of Managed Care Pharmacy: "A formulary system enhances quality of care by encouraging the use of those prescription medications that are demonstrated to be the safest, most effective, and produce positive patient outcomes. To this end, formulary decisions are based primarily on sound clinical evidence."<sup>1</sup> Formulary management may assist the California Public Employees' Retirement System (CalPERS) Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) plans in controlling costs while maintaining quality of care.

Dr. Marilyn Stebbins, Professor of Clinical Pharmacy and Vice Chair of Clinical Innovations at the University of California San Francisco, School of Pharmacy, will present this item.

**BUDGET AND FISCAL IMPACTS**

Not Applicable.

**ATTACHMENTS**

Attachment 1 - Formulary Management

**References**

1. Academy of Managed Care Pharmacy. Academy of Managed Care Pharmacy Policy Digest, February 2014. Available at:  
<http://www.amcp.org/WorkArea/DownloadAsset.aspx?id=17850>.  
Accessed August 13, 2014.

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