

## Coverage of OTC drugs under prescription drug benefits can help improve employee healthcare quality and reduce plan costs

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According to 2012 research by Consumers Union, difficulty paying for prescriptions and other health bills is a top financial problem for Americans. The research showed many had not filled a doctor's prescription because they could not afford it.<sup>(1)</sup> While the problem is most acute for working-age Americans without prescription drug insurance coverage, CNN Money reported in 2013 that 28% of working-age adults with good insurance also had to forego treatment because of price.<sup>(2)</sup>

Not filling a prescription may save benefit plan participants money at the pharmacy counter, but not complying with the drug and other care prescribed by physicians—or not seeing a doctor altogether—can have costly consequences for both employees and plan sponsors in the long run. If neglected, manageable conditions can become more acute, potentially requiring hospitalization or other emergency outpatient care. Chronic illness can also affect employee work attendance and on-the-job performance. If the condition becomes debilitating, extended work leave or even permanent disability may become necessary.

Provisions of the Affordable Care Act are intended to extend insurance coverage and help uninsured Americans gain access to necessary medical care, including prescription drugs. But, what about Americans who have insurance and still can't afford the co-pays for the drugs their doctors prescribe?

### Over-the-counter by prescription

Employers and other sponsors of prescription benefit plans are taking steps to make drugs more affordable for participants by adding coverage of qualifying over-the-counter (OTC) drugs when they are prescribed by a doctor. Buck Consultants, a Xerox Company, reports 87% of respondents to its 2013 Prescription Drug Benefit Survey identified affordable pharmacy benefits as having a major impact on containing healthcare costs over the long run. "This indicates employers believe that appropriate prescription drug utilization can substitute for more expensive medical services," researchers said.<sup>(3)</sup>

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*87% of employers say affordable pharmacy benefits are key to containing healthcare plan costs.*

*—Buck Consultants*

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The concept of providing pharmacy benefit coverage of OTC drugs dispensed by prescription is sometimes known as "over-the-counter by prescription" or "ORx®." Like other prescription medications, the OTC drugs covered by ORx® plans are fully adjudicated by benefit plan managers and are listed in specified tiers within plan formularies. To encourage their use, medicines covered under the ORx® drug benefit are typically offered as Tier 1/Preferred drugs or in a separate OTC

tier with no co-payment or a lower co-pay than other prescription drugs.

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*Coverage of OTC drugs under benefit plans saves money and encourages patient compliance with doctor-recommended therapies, "leading to fewer medical complications ... and fewer hospital visits."*

*—The Savitz Organization*

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Coverage of OTC drugs is expanding among benefit plan sponsors. A 2013 survey of plan sponsors by The Savitz Organization, an actuarial and employee benefit firm, found 13% of companies who administer prescription drug benefits separately from medical benefits cover OTC medications under their prescription drug plans, and 66% of those companies offer OTC medications at a \$0 co-pay.<sup>(4)</sup> Savitz researchers said providing the coverage is one way employers are taking action to encourage compliance with physician-recommended therapies, especially for commonly occurring conditions, which they report "usually leads to fewer medical complications for those patients and fewer hospital visits." According to the report, "employees whose physicians agree that an OTC will work as well as a generic or brand medicine can ask their doctor to write a prescription for the OTC version, saving both the employee and the plan money."<sup>(5)</sup>

The cost of prescription drugs may discourage some plan participants from seeing a doctor in the first place, which can also result in higher healthcare costs if a condition worsens. Offering coverage of certain OTC medicines at low or no cost can encourage plan participants to see a doctor for proper treatment instead of pursuing a potentially ineffective or even harmful trial-and-error course of self-medication.

### **Dispensed by pharmacists from behind the counter**

OTC drugs covered under ORx<sup>®</sup> plans are typically inventoried behind the pharmacy counter and dispensed by a pharmacist who confirms benefit plan coverage. In order to be included in formularies for group benefit plans, drugs must be assigned a national drug code (NDC) under the Human Prescription Drug classification or the Human OTC Drug classification.

NDCs are universal product identifiers for human drugs assigned by the Food and Drug Administration (FDA) in the United States and are used by healthcare professionals to avoid treatment errors and maintain accurate electronic health records. They also support the ordering, record-keeping and oversight needs of insurance plans, regulatory officials and the pharmaceutical supply chain.

Drugs offered within ORx<sup>®</sup> benefit plans usually include medicines formerly classified as prescription-only drugs but now reclassified by the FDA as safe for over-the-counter use. Commonly referred to as Rx-to-OTC switch products, they include highly effective drug treatments for sinus/allergy congestion, smoking cessation, acne, heartburn and other common therapy classes. These drugs may fall off the radar of physicians and patients as new prescription medicines are introduced and promoted heavily by drug companies.

They remain proven treatment alternatives and are an excellent first step in any step-therapy program.

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*OTC drugs covered by benefit plans include highly effective former prescription drugs reclassified by the FDA as safe for over-the-counter use.*

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The listing of these proven medicines in plan formularies restores their prominence, making them more likely to be considered by physicians motivated to prescribe affordable medicines that help ensure patient compliance with their treatment recommendations.

To ensure patients and physicians take advantage of the ORx<sup>®</sup> benefit, plan sponsors—and the pharmacy benefit management (PBM) firms who often administer prescription benefits on their behalf—typically alert them of covered OTC drug options and encourage their use. However, the physician still has the final voice in choosing the most appropriate medicine to treat individual patient health conditions.

Patients may not become aware of the cost of a drug prescribed by their doctor until they arrive at the pharmacy counter and are confronted with the out-of-pocket expense. Fortunately, pharmacists have access to plan drug coverage information and can bring OTC options to their customers' attention. If the doctor agrees to the OTC drug substitution, the prescription can be rewritten and filled.

By alerting plan participants and physicians when coverage of OTC drugs is added to the benefit plan, sponsors can help ensure that these affordable options are part of initial doctor/patient discussions—and prescribed when appropriate—before the pharmacist is called on to dispense medicine at the pharmacy counter.

### **Plans and employees face increasing cost pressure**

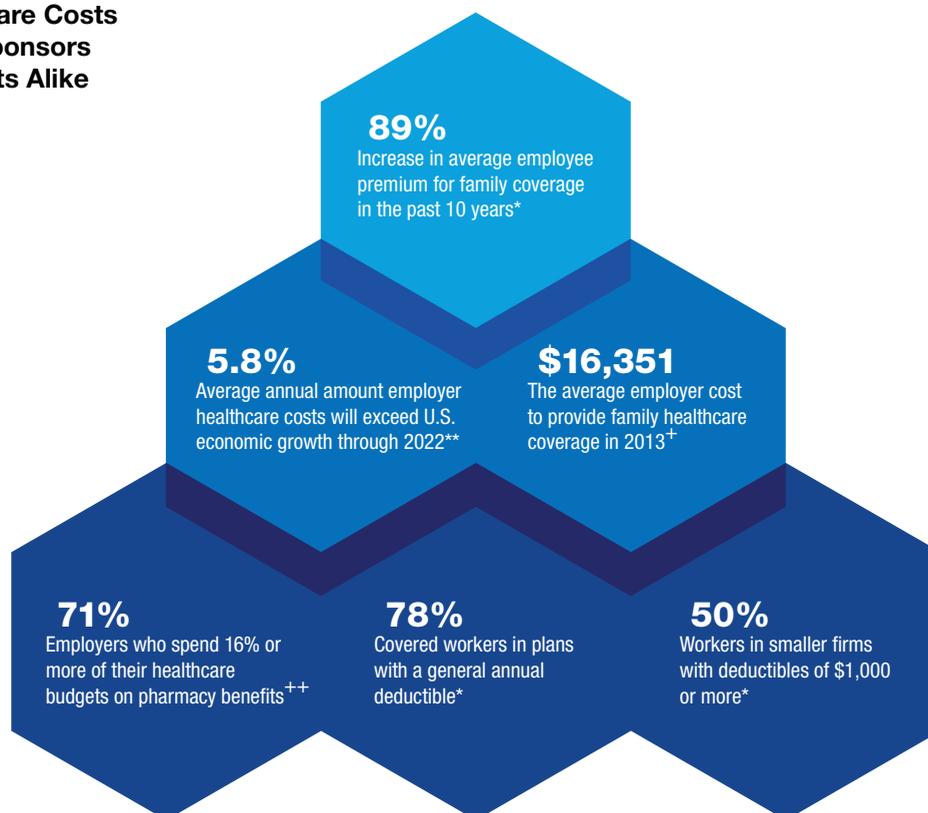
As overall healthcare costs continue to rise, the need to control plan costs and provide cost relief to employees has never been greater. According to data cited by Deloitte in its 2013 Survey of U.S. Employers, healthcare costs exceeded U.S. economic growth by an average of 2.5% annually over the previous 10 years. What's more, the average annual growth rate in healthcare costs going forward is anticipated to be 5.8% through the year 2022.<sup>(6)</sup>

Savings in plan costs are increasingly vital as overall healthcare costs continue to rise. Savitz reported 2013 national average annual total plan costs of \$5,884 for single and \$16,351 for family coverage, representing increases of 5% and 4%, respectively, compared to 2012.<sup>(4)</sup> Prescription benefits represent a sizeable share of total employer health plan costs. The 2013 Prescription Drug Benefit Survey conducted by Buck Consultants found that 71% of U.S. employers spent 16% or more of their total healthcare budget on pharmacy benefits.<sup>(7)</sup>

According to the findings of a Kaiser/HRET survey of non-federal private and public employers representing 149 million non-elderly people, the percentage of covered workers in plans with a general annual deductible increased to 78% in 2013. The survey found over half of covered workers at firms with less than 199 employees now have a deductible of \$1,000 or more. Meanwhile, the average employee premium for family coverage has increased 89% in the past 10 years.<sup>(8)</sup>

The importance of finding ways to provide cost relief to employees is even more apparent when plan participant contributions in the form of drug co-pays, coinsurance or co-pay requirements for hospital admission or outpatient surgeries, per diem payments, separate hospital deductibles and other cost sharing are taken into account.

## Rising Healthcare Costs Impact Plan Sponsors and Participants Alike



SOURCES: \*Kaiser/HRET, \*\*Deloitte, <sup>†</sup>The Savitz Organization, <sup>++</sup>Buck Consulting

### An attractive benefit enhancement

Offering coverage of OTC drugs as part of prescription drug plans is also an attractive enhancement to employee benefit packages, especially for organizations that must compete aggressively to recruit and retain talented employees.

Because ORx® drugs address common yet serious health conditions, the goodwill created by the coverage can be widespread. ORx® coverage provides affordable drugs, helping alleviate an ongoing source of health and financial concern in the lives of employees and dependents.

Progressive organizations—including labor unions, healthcare organizations, technology firms and others—may consider ORx® coverage a natural extension of benefit programs that support a wellness culture. However, any organization striving to improve

healthcare for employees while responsibly controlling costs should find ORx® an attractive addition to their current prescription benefit plan.

### Path to ORx® adoption

Buck Consultants' national survey of 250 employers found more than 60% contract with a PBM to process and pay prescription drug claims.<sup>(9)</sup> For plan sponsors who partner with a PBM, the first step in designing ORx® coverage is to discuss the concept with their current PBM and/or prospective partners. Plan sponsors and participants are highly influential in encouraging PBMs to include OTC coverage in formularies. More than half of the PBM representatives who responded to an independent 2014 survey sponsored by Perrigo said they include OTC coverage because plan sponsors ask them to do so. Reducing plan costs and lowering healthcare costs for patients were also cited by more than

half of respondents, indicating that many PBMs recognize the economic advantages of offering OTC coverage as part of prescription drug benefit plans.

*Representatives of more than half of Pharmacy Benefit Management (PBM) organizations said their firms include OTCs in plan formularies because plan sponsors asked them to do so.*

*– 2014 Perrigo Survey*

Most of the PBMs surveyed in 2014 said they currently include coverage of OTC drugs in at least some of the formularies they compile and administer for clients, indicating that PBMs have experience designing ORx® coverage and can support plan adoption if requested by plan sponsors.

Whether sponsors are aligned with a PBM partner or manage prescription plans independently, they will want to confirm the availability of qualifying drug products to all plan participants. Manufacturers of properly NDC-labeled products can assist in this investigation process. For example, drugs suitable for ORx® coverage can be reviewed by visiting [www.Perrigo.com/orx](http://www.Perrigo.com/orx). The drugs listed all display the necessary NDC codes to qualify for ORx® coverage and are distributed nationally, available to plan participants locally through leading retail or from major mail-order pharmacies.

By collaborating with PBMs or working independently to add ORx® coverage to their prescription benefit plans, employers can take positive action to stem the rising tide of benefit plan costs while improving the quality of healthcare and providing tangible cost relief to valued employees. It's a new prescription for drug benefit design that can support employee recruitment, satisfaction and retention goals while responsibly managing expenses in today's healthcare environment.

#### Sources:

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#### About the Author

Jim Booydegraaff is Director of Marketing at Perrigo Pharmaceuticals, a business unit of Perrigo Company plc, a leading global healthcare supplier that develops, manufactures and distributes over-the-counter (OTC), generic prescription pharmaceuticals, and other products. He works closely with employers, pharmacy benefit managers (PBMs), the federal Centers for Medicare & Medicaid Services (CMS), and other stakeholders to create awareness of products and programs that contribute to improved healthcare quality and affordability for benefit plan sponsors and participants. A business graduate of Western Michigan University, he lives in greater Grand Rapids, Michigan.

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