

Preferred Pharmacy Networks

The Academy of Managed Care Pharmacy (AMCP) supports the ability of health plans to offer preferred pharmacy networks for their enrollees as a way of providing additional options and cost savings without any diminishment of quality or patient access. Preferred pharmacy networks represent another important innovation and tool developed by managed care pharmacy, and, if effectively implemented, there is strong data that indicates it reduces the high cost of prescription drug coverage.

Preferred pharmacy networks are created by pharmacy benefit managers and health plans by enlisting pharmacies within the *existing* network that may be willing to contract at a lower reimbursement rate than other pharmacies. Enrollees that choose – at their option – to utilize these “preferred pharmacies” are able to save money at the point of sale in the form of lower copayments or coinsurance. Additional savings are also shared with the plan which enables them to stabilize future premiums. While non-preferred network pharmacies are still in the pharmacy network, they do not offer covered drugs at the same lower cost-sharing level as those within the preferred pharmacy network. They still, however, allow members to get their prescription medications filled at a reduced cost as a network pharmacy.

Cost studies on preferred network pharmacies support the financial advantages of adopting this innovation. In an actuarial analysis by Milliman, Inc. (2010) entitled: *The Value of Alternative Pharmacy Networks and Pass-Through Pricing*, it was determined that overall pharmacy costs could be reduced by up to 13 percent by using a limited, preferred pharmacy benefit design. In this case, pharmacies were willing to reduce their dispensing fees with the promise of additional business in those pharmacies. A more recent study by Avalere, (2014) looked at Medicare preferred pharmacy networks (where these networks are prevalent) and determined that plans that utilized preferred networks were 17% less expensive than those that did not.

Both of these studies suggest that, even if we were to measure the effectiveness of preferred pharmacy networks by costs alone, it would be an important success towards dampening premium increases. However, that is only part of the story. We now know that Medicare Part D enrollees in plans with preferred networks have consistently shown high levels of satisfaction in the benefit and have overwhelmingly – by more than 3-1 ratio – chosen plans that had the option of preferred networks. They choose this option because they know that they can achieve greater savings without sacrificing quality. In fact, as of February 2014, according to Oliver Wyman in the *Impact of the Elimination of Preferred Pharmacy Networks* (2014) on the Medicare Part D program more than 75 percent of Medicare Part D Program enrollees were in plans with preferred pharmacy networks.

Finally, preferred pharmacy networks are beginning to be leveraged to help improve overall outcomes and quality measurement. This can be achieved through risk-sharing arrangements with preferred pharmacy networks that encourage increased generic utilization rates. This action will trigger pharmacist and pharmacy participation in patient health care management and may help to improve medication adherence and utilization by ensuring that patients receive the appropriate medications at a reasonable cost. Additionally, preferred pharmacy networks may incorporate pharmacists patient care services and interventions into accountable care arrangements and other integrated care delivery to garner better health outcomes at a lower cost. Pharmacies and pharmacy chains that help to achieve better health outcomes should receive incentives to continue these practices through preferred network arrangements.

Preferred pharmacy networks represent an important tool and innovation in managed care pharmacy benefits. Its popularity among enrollees and the cost savings it inures makes it a win-win for all that participate. The Academy of Managed Care Pharmacy supports the continued use of these programs as a beneficial way to maintain quality of care, access and cost effectiveness to the pharmacy benefit.

Approved by the AMCP Board of Directors, July 2014

Please see AMCP's website for revisions and updates to our *Where We Stand* series:
www.amcp.org/positionstatements.