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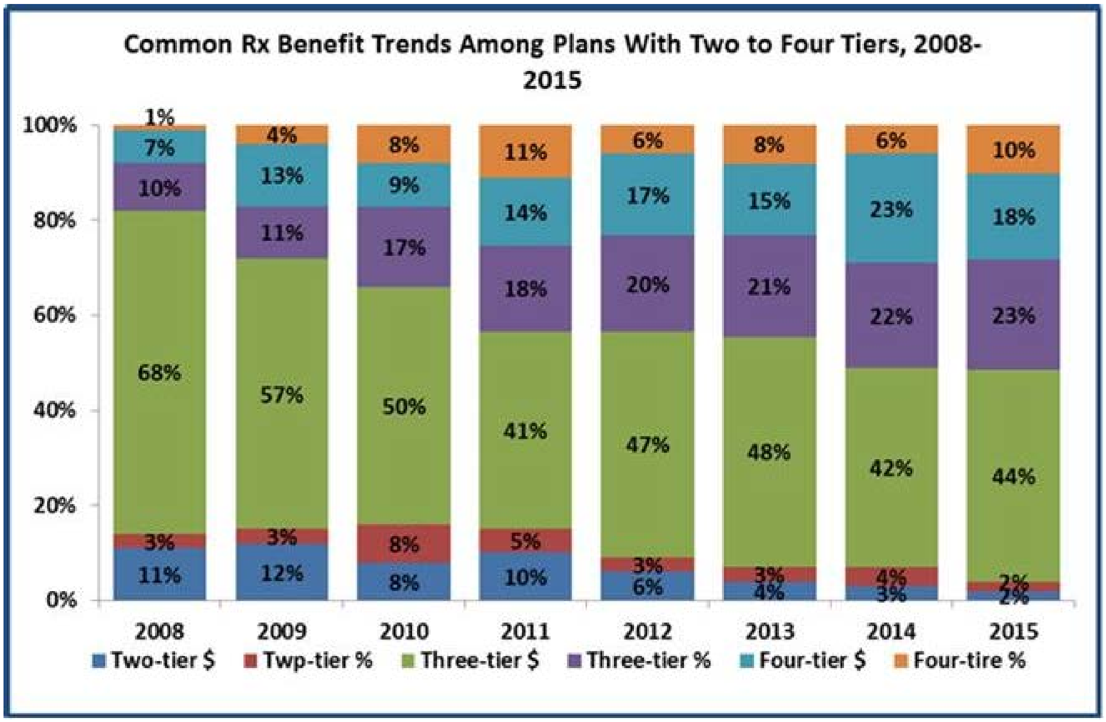
# Employers Turn to Deductibles and Out-of-Pocket Limits to Manage Pharmacy Costs

According to a new report from the Pharmacy Benefit Management Institute (PBMI) pharmacy deductibles and annual out-of-pocket limits are rapidly rising among employers trying to rein in escalating pharmacy costs. But as plan sponsors look for ways to manage mounting drug costs, the report identifies several opportunities to improve cost management and clinical management without having to shift additional costs to members.

According to PBMI's 2015-2016 Prescription Drug Benefit Cost and Plan Design Report, 36% of employers reported having a prescription drug benefit deductible in 2015, compared with only 14% the year before. Plan sponsors are also shifting more costs to members through annual out-of-pocket limits, which were used by 33% of employers in 2015, up from 18% in the prior year's survey. The survey results are based on the responses of 302 U.S. employers representing 16.3 million lives.

The report says the 22% jump in deductible use is particularly striking given that deductibles have historically been much more common in the medical benefit, but not surprising since employers want to continue to provide an affordable benefit without raising premiums. The report also finds that benefit designs are becoming much more complex, with more employers using four, five, and six-tier cost-sharing structures. Deployed by 44% of respondents, a three-tier design featuring flat dollar copayments remains the most commonly used approach, but four-tier cost-sharing structures are now used by 28% of respondents, compared with just 8% in 2008 (see chart).

Meanwhile, several opportunities exist for greater plan sponsor adoption of utilization management tools such as reference-based pricing, pill-splitting and step therapy, observes PBMI. Frazee points out, "Step therapy is really one of the bread-and-butter kinds of things for cost management and it's something I think most consumers are used to, but it's only used by 60% of smaller employers," referring to the 155 survey respondents with 5,000 or fewer covered lives. By comparison, nearly 80% of larger employers reported using step therapy in 2015. And reference-based pricing was used by only 11% of employers overall, compared with 12% the year before. The report also identified opportunities to squeeze out additional savings through pharmacy network innovation. For example, 29% of respondents in 2015 report using a preferred pharmacy network, while only 13% were using a limited network (i.e., eliminating at least one major pharmacy chain). Meanwhile, 60% of employers offer a 90-day-at-retail option, but only about one-third of them require that members obtain their 90-day supply of maintenance medications from a limited network pharmacy.




Note: Data are based on survey responses from 302 U.S. employers representing 16.3 million lives. 2012 and later data are based on plan design for retail 30 fills. Plans with "other" cost-sharing structures and one tier or more than four tiers are excluded from the percentage calculations in all years.
$ = fixed dollar amount per prescription per tier.
% = percentage share with or without a minimum and/or maximum.
Source: The Pharmacy Benefit Management Institute 2015-2016 Prescription Drug Benefit Cost and Plan Design Report, sponsored by Takeda Pharmaceuticals USA, Inc. visit: http://reports.pbmi.com/report.php?id=13 to download the report.

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