

# *Overview of the VA Pharmacy Benefits Management Strategic Health Care Group (PBM)*



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# MYTH # 1

*From the Deseret News (and widely quoted by others): “The vaunted VANF covers some 1,300 drugs, just 30 percent of the 4,300 drugs available on Medicare's market-priced formulary.”*

- **FACT:** VA dispenses 4,778 specific drug products which represent the 1,294 chemical compounds listed on the VANF
- **FACT:** In 2006, VA dispensed prescriptions for an additional 1,416 drugs not listed on the VANF, for a total of 6,194 drugs

# MYTH # 1 (continued...)

- **FACT:** Comparing the number of chemical compounds to the number of individual drugs is not a valid comparison

|                         | <u>VA</u> | <u>PART D</u> |
|-------------------------|-----------|---------------|
| # of chemical compounds | 1,294     | ~1,300        |
| # of individual drugs   | 4,778     | ~4,300        |

- **FACT:** VA offers 478 or 11 percent more specific drugs than Medicare Part D formularies

# MYTH # 2

*VA's formulary is "among the most restrictive in the marketplace"*

- **FACT:** In a 1999-2000 Congressionally mandated study, entitled "*Description and Analysis of the VA National Formulary*", the Institute of Medicine concluded that:


*...the VA National Formulary is not overly restrictive. In some respects it is more, but in many respects less restrictive than other public or private formularies. The Committee has identified deficiencies in the implementation and management of the National Formulary and recommended changes.*

*...If VA did not have a formulary process like it does, today we would be recommending that you build one just like it...*

*- Comments of the IOM Committee Chairman at the VA study exit conference*

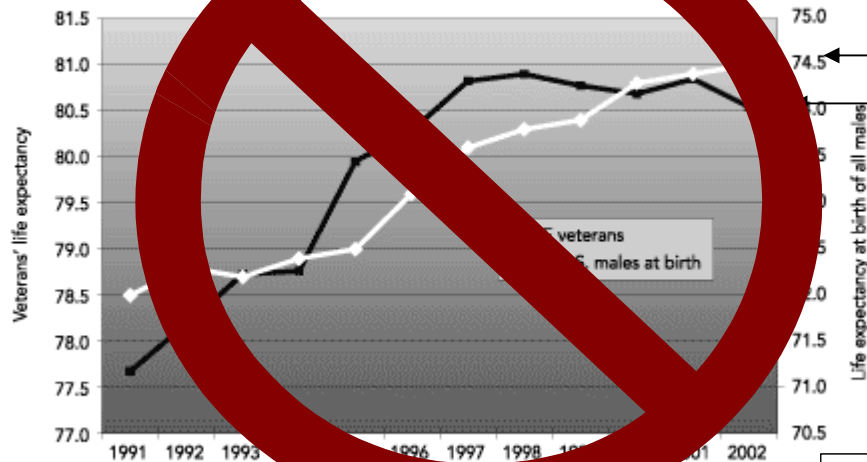
# MYTH #3

*A widely cited report supported by the Center for Medical Progress at the Manhattan Institute, implied that veterans live 2 months less than all U.S. males because VA uses older drugs*

- **FACT:** VA uses both “older” as well as “new” drugs
- **FACT:** The paper contains methodological flaws and numerous errors of fact and analysis. References to, or conclusions drawn from the paper should be carefully scrutinized
- **FACT:** For example..... 

# MYTH # 3 (...continued)

Figure 4: Veterans' Life Expectancy vs. Life Expectancy at Birth of All U.S. Males

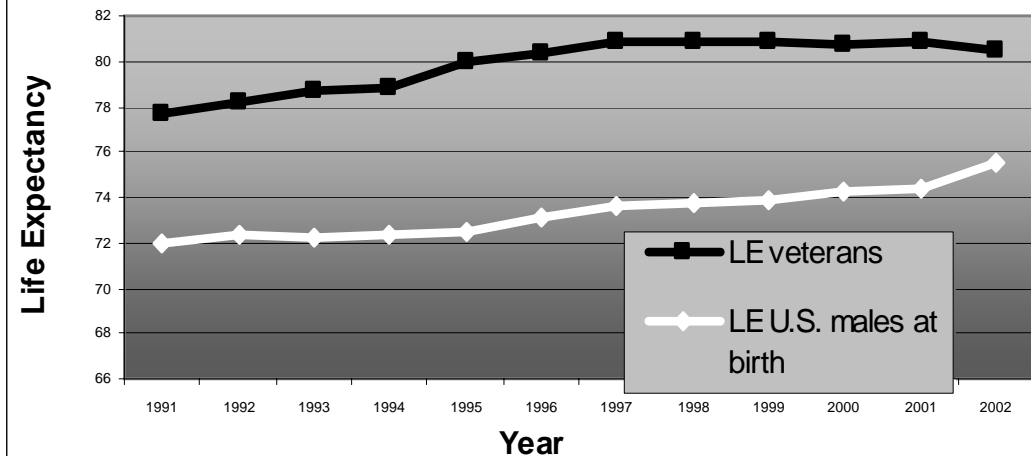


Do Veterans live shorter lives?

**NO!!** They actually live longer lives...

Source: Older Drugs, Shorter Lives?

CORRECTED Veterans Life Expectancy vs. Life Expectancy at Birth of all U.S. Males



# MYTH # 4

*The VA prescription benefit program is substandard compared to other systems*

- **FACT:** Veterans get better pharmaceutical care than private, or public/municipal hospitals
  - Arch Intern Med 2006; 2511-2517
- **FACT:** Veterans get better diabetes pharmaceutical care than patients with private insurance, Medicare and Medicaid. Better care is associated with better outcomes
  - Medical Care 2004;42:102-109
- **FACT:** VA continues to exceed HEDIS in the vast majority of common measures, including drug-related measures
  - Comparisons to private, Medicare and Medicaid health plans follow

# MYTH # 4 (continued...)

| CLINICAL PERFORMANCE INDICATOR                               | VA 2006     | VA 2005      | HEDIS <sup>(2)</sup> Commercial 2004 | HEDIS <sup>(2)</sup> Medicare 2004 | HEDIS <sup>(2)</sup> Medicaid 2004 |
|--|-------------|--------------|--------------------------------------|------------------------------------|------------------------------------|
| LDL Cholesterol < 100 after <b>AMI, PTCA, CABG</b>           | <b>60 %</b> | Not reported | <b>51%</b><br>*2004                  | <b>54%</b><br>*2004                | <b>29%</b><br>*2004                |
| LDL Cholesterol < 130 after <b>AMI, PTCA, CABG</b>           | <b>80%</b>  | Not reported | <b>68%</b><br>*2004                  | <b>70%</b><br>*2004                | <b>41%</b><br>*2004                |
| Beta blocker on discharge after <b>AMI</b>                   | <b>97%</b>  | <b>98%</b>   | <b>97%</b>                           | <b>94%</b>                         | <b>86%</b>                         |
| <b>Diabetes:</b> Poor control HbA1c > 9.0% (lower is better) | <b>15%</b>  | <b>17%</b>   | <b>30%</b>                           | <b>24%</b>                         | <b>49%</b>                         |
| <b>Diabetes:</b> Cholesterol (LDL-C) controlled (<100)       | <b>64%</b>  | <b>60%</b>   | <b>44%</b>                           | <b>50%</b>                         | <b>33%</b>                         |
| <b>Diabetes:</b> Cholesterol (LDL-C) controlled (<130)       | <b>85%</b>  | <b>82%</b>   | <b>68%</b>                           | <b>72%</b>                         | <b>51%</b>                         |
| <b>Hypertension:</b> BP <= 140/90 most recent visit          | <b>79%</b>  | <b>77%</b>   | <b>69%</b>                           | <b>66%</b>                         | <b>61%</b>                         |

# MYTH # 5

*VA relies on mail order pharmacies to fill prescriptions and does not use community pharmacists*

- **FACT:** VA employs 5,800 pharmacists and 3,800 pharmacy technicians and is regarded by many professional pharmacy organizations as THE benchmark for excellence in ambulatory (community) pharmacy practice
- **FACT:** VA operates 230 outpatient pharmacies and pharmacists are involved in all aspects of pharmacy practice from distribution to pharmacist-run drug therapy management clinics
- **FACT:** VA provides post graduate residency training to 350 Doctors of Pharmacy each year.....many many more than any other single organization in the U.S.

## **MYTH # 5** (...continued)

- **FACT:** By using automated dispensing technologies for prescription refilling, VA pharmacists have more time to teach patients how to most effectively use their medications and to monitor the effectiveness of those medications
- **FACT:** 3% to 8% of the nation's prescriptions are filled erroneously; in VA accuracy is >99.997%; primarily due to the use of VA's automated dispensing technology (mail order)
  - Business Week, July 17, 2006
  - Rand

# MYTH # 6

*In regard to drugs, newer is always better*

- **FACT:** Newer is not always better
  - Many “new” drugs are actually “me too” drugs
- **FACT:** Newer is not always safer
  - 23 safety-related market withdrawals from 1980-2005
    - Most recent include cholesterol, diabetes and musculoskeletal drugs
  - Another 375+ drugs currently carry Black Box safety warnings
  - What is the rationale for exposing patients to drugs with unknown risks, when there is little or no clinical advantage?
- **FACT:** Newer is not always better....and its not always safer....but it is almost always more costly

# MYTH # 7

*From Real Clear Politics: “New drugs as a matter of VA policy are not considered for the VA formulary for three years, regardless of improved effectiveness or reduced side effects”*

- **FACT:** A three year moratorium has never been a VA policy or practice
- **FACT:** VA reviews all new molecular entities for consideration for national formulary listing in a timely fashion
- **FACT:** Recent examples include:
  - Chantix- FDA approved in May 2006, added to the VANF once it was available on the market
  - Lucentis- FDA approved in May 2006, added to the VANF in November 2006
  - Every new HIV drug product has been added to the VANF

# MYTH # 8

*Nearly 1 million patients have “defected” from the VA plan to Part D*

- **FACT:** Each year for the past 8 years, the number of patients electing to use the VA prescription drug program has increased and there is no sign this trend is changing

| <u>YEAR</u> | <u># Pharmacy Users</u> |
|-------------|-------------------------|
| 1999:       | 2,695,241               |
| 2000:       | 2,982,676               |
| 2001:       | 3,422,751               |
| 2002:       | 3,781,286               |
| 2003:       | 4,017,776               |
| 2004:       | 4,189,939               |
| 2005:       | 4,303,025               |
| 2006:       | 4,386,081               |

# MYTH # 9

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*If a drug is not listed on the VANF, it is not available to veterans*

- **FACT:** Prescribing guidance (evidence-based Criteria for Use) for non-formulary drugs is developed to ensure access to medically necessary drugs not listed on VANF. For illustration, in 2006 VA dispensed prescriptions for the following non-formulary drugs:

| DRUG                  | Number of 30-day RXs | Cost          |
|-----------------------|----------------------|---------------|
| Flomax <sup>®</sup>   | 752,924              | \$ 23 million |
| Lipitor <sup>®</sup>  | 711,138              | \$ 34 million |
| Zetia <sup>®</sup>    | 369,783              | \$ 15 million |
| Protonix <sup>®</sup> | 366,375              | \$ 13 million |
| Ambien <sup>®</sup>   | 193,418              | \$ 9 million  |
| Crestor <sup>®</sup>  | 144,341              | \$ 3 million  |

# MYTH # 10

*Patients and prescribers who participate in a health plan that limits drug choice to some degree through a well-managed formulary process, will have an overwhelmingly negative reaction to that limitation*

- **FACT:** Two independent studies of prescriber perceptions of the VA National Formulary conducted by the RAND Corporation contradict this fallacy
  - Am J Manag Care 2001;7:241-251
  - Am J Manag Care 2004;10:209-216

# **MYTH # 10** (continued...)

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- **FACT:** For the seventh straight year, VA received significantly higher marks than the private sector from the independent American Customer Satisfaction Index (ACSI)
  - **Score of 84 for inpatient services (100 point scale)**
    - Up 1 point from previous year
    - 10 points higher than the private sector
    - 13 points higher than other federal health care programs
  - **Score of 82 for outpatient care**
    - Up 2 points from previous year
    - 8 points higher than the private sector
    - 9 points higher than other federal health care programs
  - **Score of 94 for veteran “loyalty”**
    - Up 1 point from previous year
  - **Score of 91 for customer service**
    - Up 1 point from previous year

# VA PROFILE

- VA (think staff model HMO)
  - Comprehensive health care system
  - Direct provider of care
  - Providers are employees
  - Own and operate infrastructure
  - Prescription drug benefit is integrated, not added-on
- VA has “carved-in” Pharmacy Benefits Management
  - Prescription fulfillment
    - 223 ambulatory care pharmacies (community pharmacy model)
    - 7 home delivery pharmacies (modified mail order model)
  - Formulary management
    - Formulary design
    - Evidence-based prescribing guidance
    - Contracting
    - Staff education CE/CME

# VA PROFILE (continued...)

- Patient Safety
  - VAMedSafe
  - ADE reporting and analysis
  - Post marketing surveillance
- 2006 numbers
  - 4.4 million VA pharmacy users
  - 120 million outpatient prescriptions
    - 92 million via mail order
    - 28 million via medical care facility pharmacies
  - \$3.4 billion on outpatient drug expenditures
    - Cost per RX nearly flat for last 7 years
    - Cost low for population
  - ~ 5,800 pharmacists and 3,800 pharmacy technicians
    - Clinical pharmacist specialists (~ 1,600; expanded role as physician extender)
      - Approximately 400 Board Certified

# **FORMULARY MANAGEMENT**

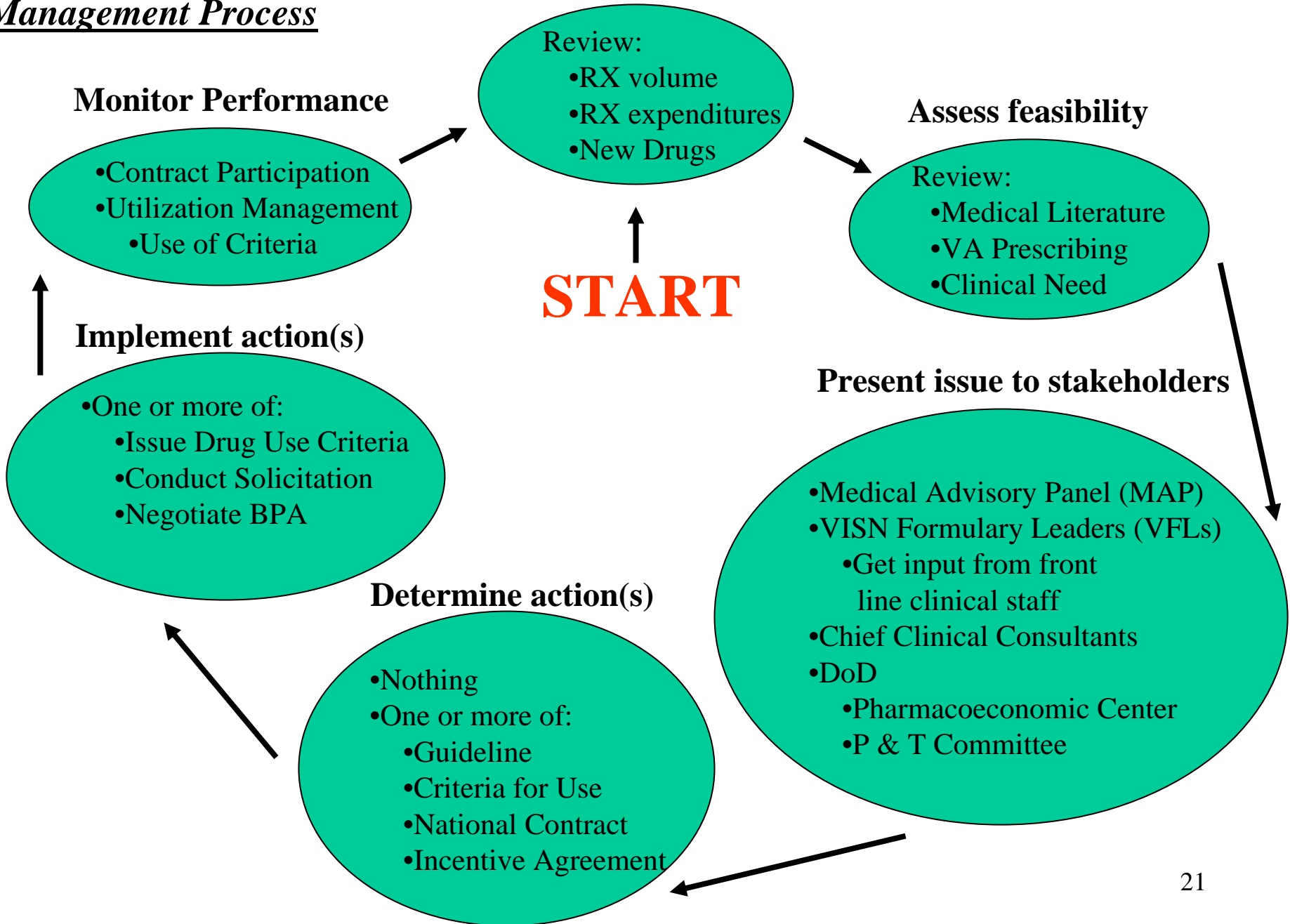
# KEY OBJECTIVES OF THE VA FORMULARY PROCESS

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- Promote **appropriate drug therapy** and discourage inappropriate drug therapy
- Reduce the geographic **variability in utilization** of pharmaceuticals across the VA system
- Initiate patient **safety** improvements
- Improve the **distribution** of pharmaceuticals
- Reduce **inventory** carrying costs, **drug acquisition** costs and the **overall** cost of care
- Promote **portability and uniformity** of the drug benefit
- Design and carry out relevant **outcomes assessment** projects

**PBM-MAP Drug Use  
Management Process**

**ID areas of opportunity**



# FORMULARY MANAGEMENT TOOLS

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- **Utilization Management:**

- PBM-MAP Pharmacologic Management Guidelines
- PBM-MAP Drug Use Criteria
- Formulary Design (generics, formulary status)

- **Contracting:**



Federal Ceiling Price- FCP (Public Law 102-585, Section 603; 24% off Non-Federal Average Manufacturer Price or Non-FAMP)

- Federal Supply Schedule (FSS- sometimes below Federal Ceiling Price)
- Performance-based Incentive Agreements (additional 5 to 15% off FSS)
- National Standardization Contracts (additional 10 to 60% off FSS)

- **Distribution Systems**

- Pharmacy Inventory Management
- Pharmaceutical Prime Vendor (5% discount off contract price)
- CMOP Dispensing



Statutory Federal Ceiling Price (FCP).  
24% off commercial price for “Covered Drugs”

Negotiated Federal Supply Schedule (FSS) price. Sometimes equal to FCP, sometimes lower

Negotiated Blanket Purchase Agreement (BPA...performance based addendum to FSS contract). Often 5 to 15% less than FSS price

Negotiated committed use national contract for therapeutically similar drugs. Often 10 to 60% less than FSS price

# **STRATEGIES**

- **Physician / pharmacist buy-in**
  - Before formulary decisions are made and implemented, each VA clinician has an opportunity to provide input (on drug class reviews, algorithms, criteria for use guidance, VA national formulary initiatives, etc.)
  - Due to up front buy-in and evidentiary basis of reviews, contract adherence for “closed” classes is rapid and extensive. Adherence can reach 90% in 3 months and >98% within 6 months
  - Non-formulary drug use is approximately 5% across VA

**CLINICALLY  
DRIVEN  
STANDARDIZATION  
CONTRACTING**

# **BROAD OBJECTIVES OF STANDARDIZATION CONTRACTING**

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- Lower Cost with Same Outcomes

*or, better still...*

- Same Cost with Better Outcomes

*or, best....*

- Lower Cost with Better Outcomes

# INDIVIDUALIZED CONTRACT SOLICITATION EVALUATION TOOLS

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|                               |             |   |                                     |
|-------------------------------|-------------|---|-------------------------------------|
| • Efficacy                    | 35% ?       | } | <u><i>Clinical Evaluation**</i></u> |
| • Outcomes                    | 35% ?       |   |                                     |
| • Safety/Administration       | 10% ?       |   |                                     |
| • Compliance                  | 10% ?       |   |                                     |
| • Pharmacy factors            | 5% ?        |   |                                     |
| • Other (mfr. capacity, etc.) | <u>5% ?</u> |   |                                     |
|                               | 100%*       |   |                                     |

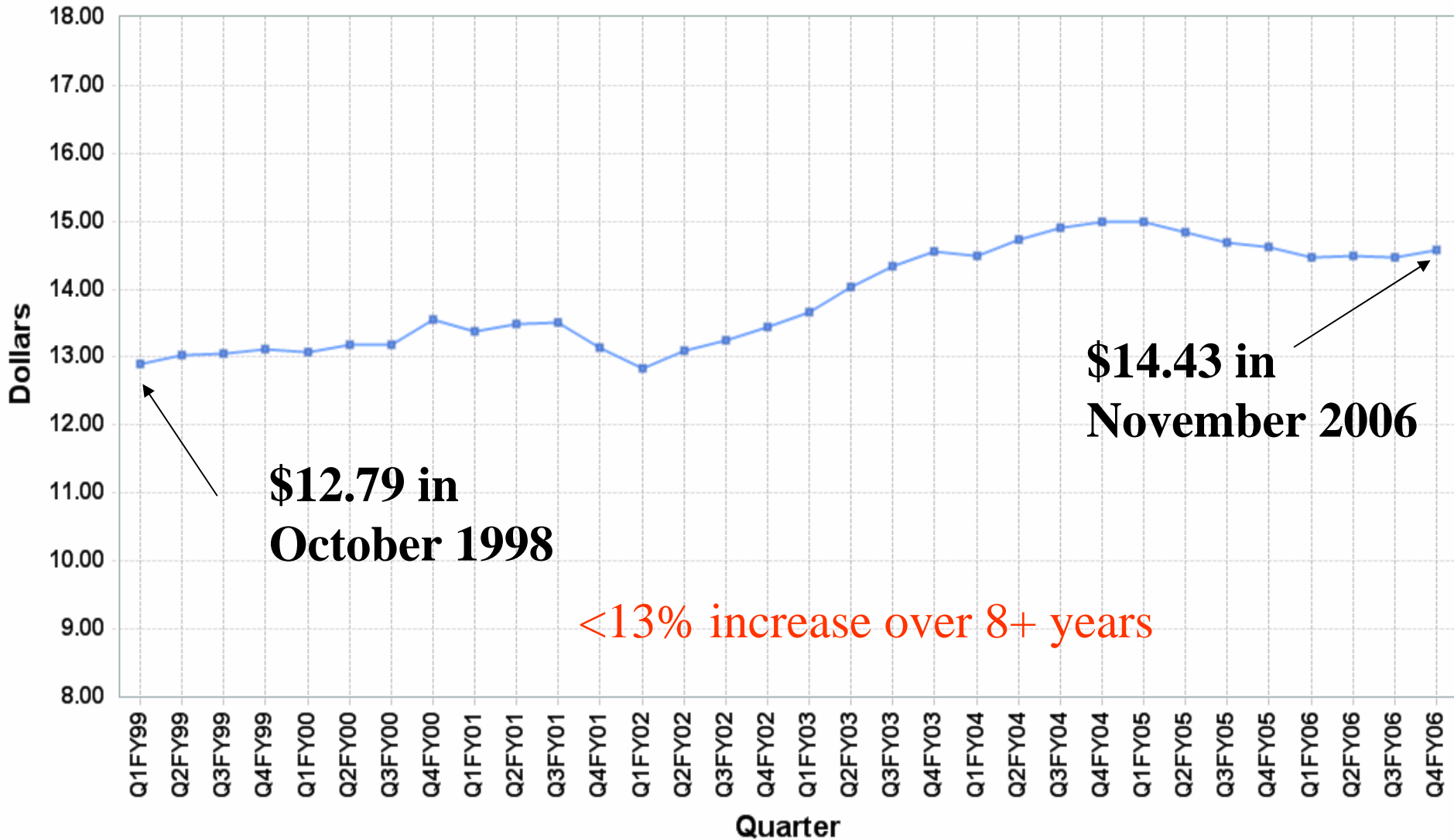
+ *Bid Price* = *Best Value AWARD*

*•above factors can be weighted differently for each solicitation, depending on the nature of the drugs in the class*

*\*\* As the clinical differences among products get larger, price becomes less of an important evaluation factor...AND vice versa*

# DRUG INGREDIENT COST TRENDS

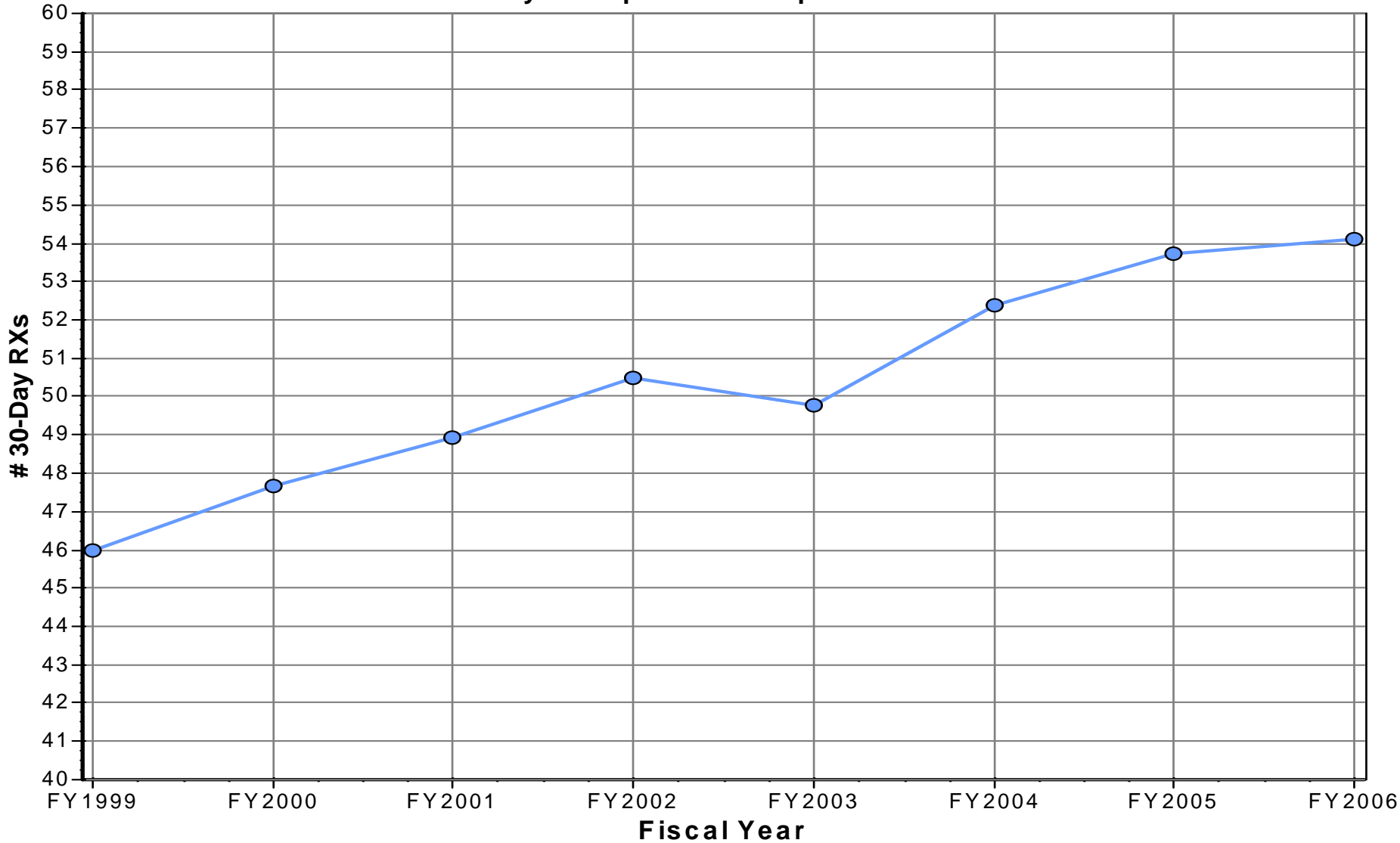
VA Average 30-Day Rx Ingredient Cost



# DRUG UTILIZATION TREND

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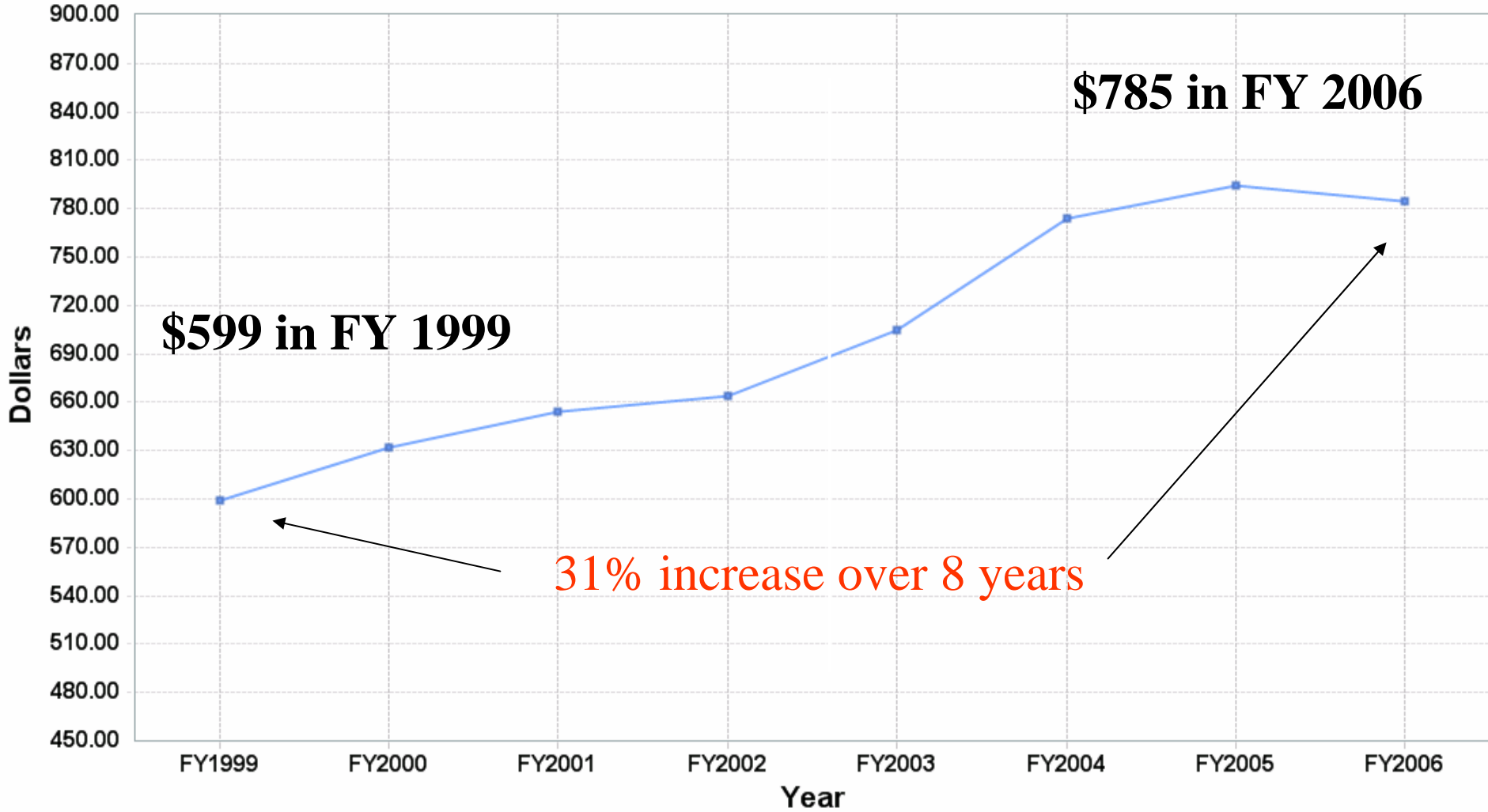
30-Day RXs per Patient per Year



# PATIENT DRUG COST TRENDS

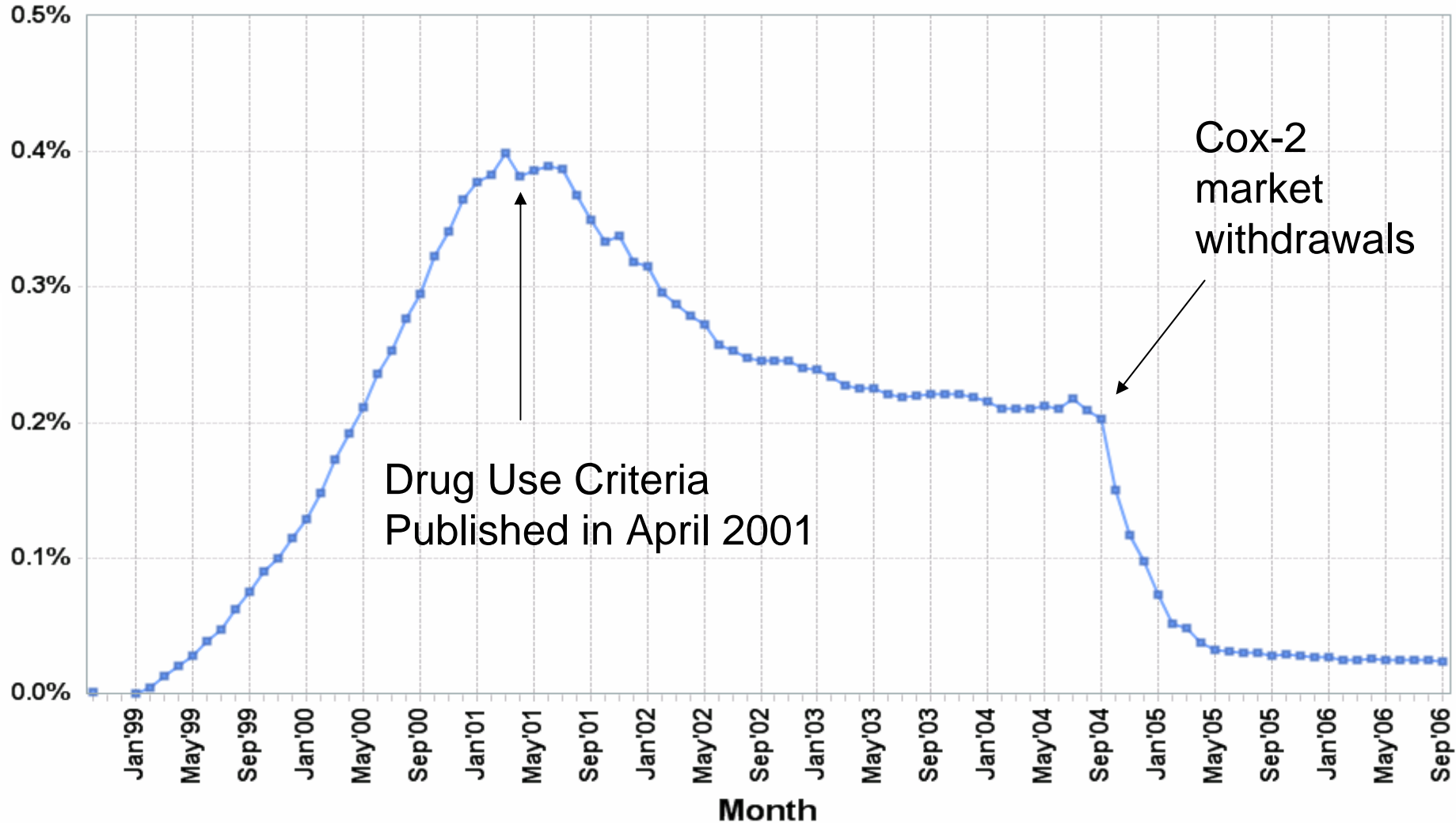
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VA Average Unique Patient Drug Cost

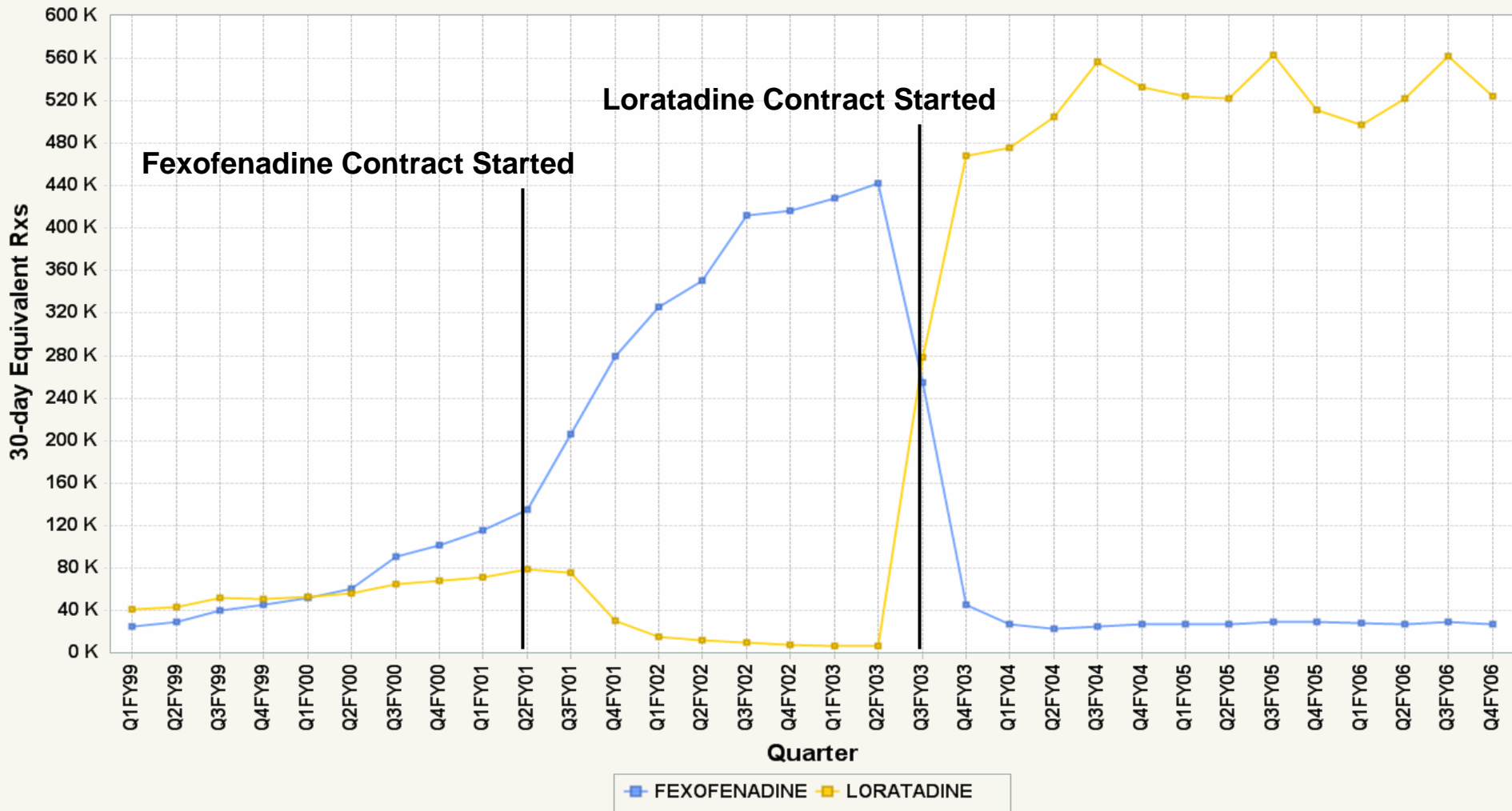


# IMPACT OF PRESCRIBING GUIDANCE ON UTILIZATION

COX-2 30-day Equiv Rx's % of All 30-day Equiv Rx's

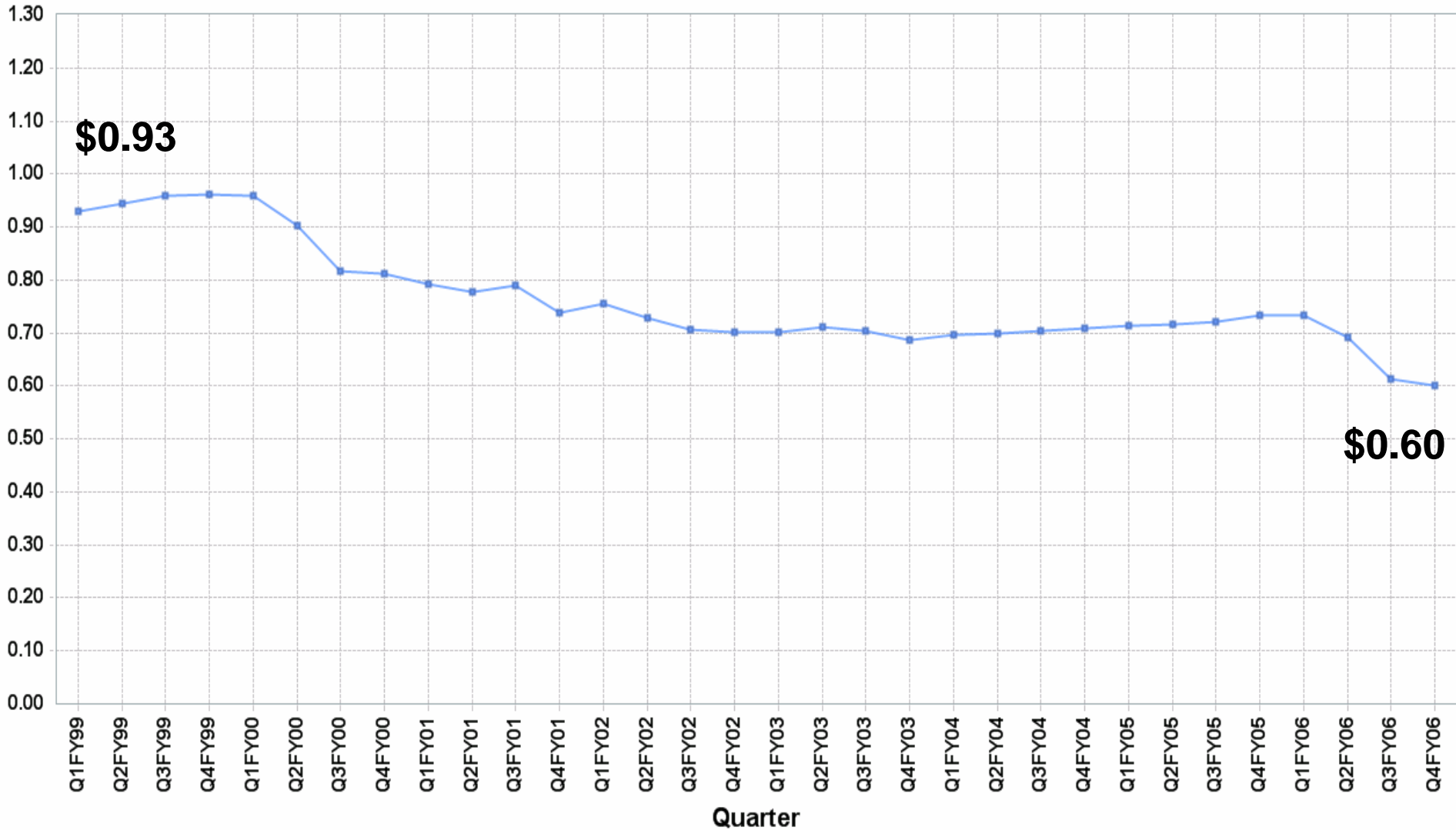


# IMPACT OF STANDARDIZATION CONTRACTING ON UTILIZATION



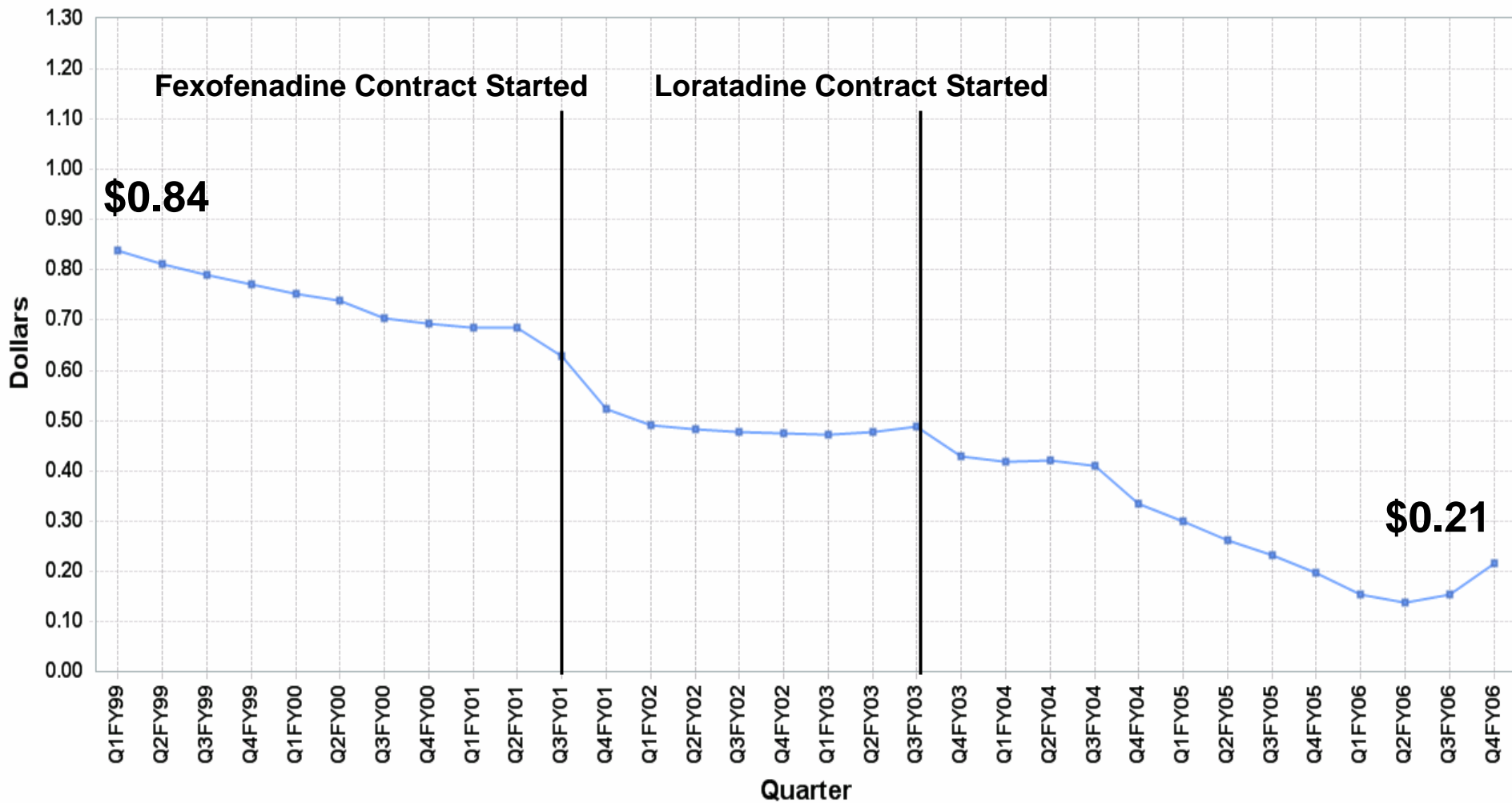
# IMPACT OF CONTRACTING ON COST / UNIT FOR STATINS\*

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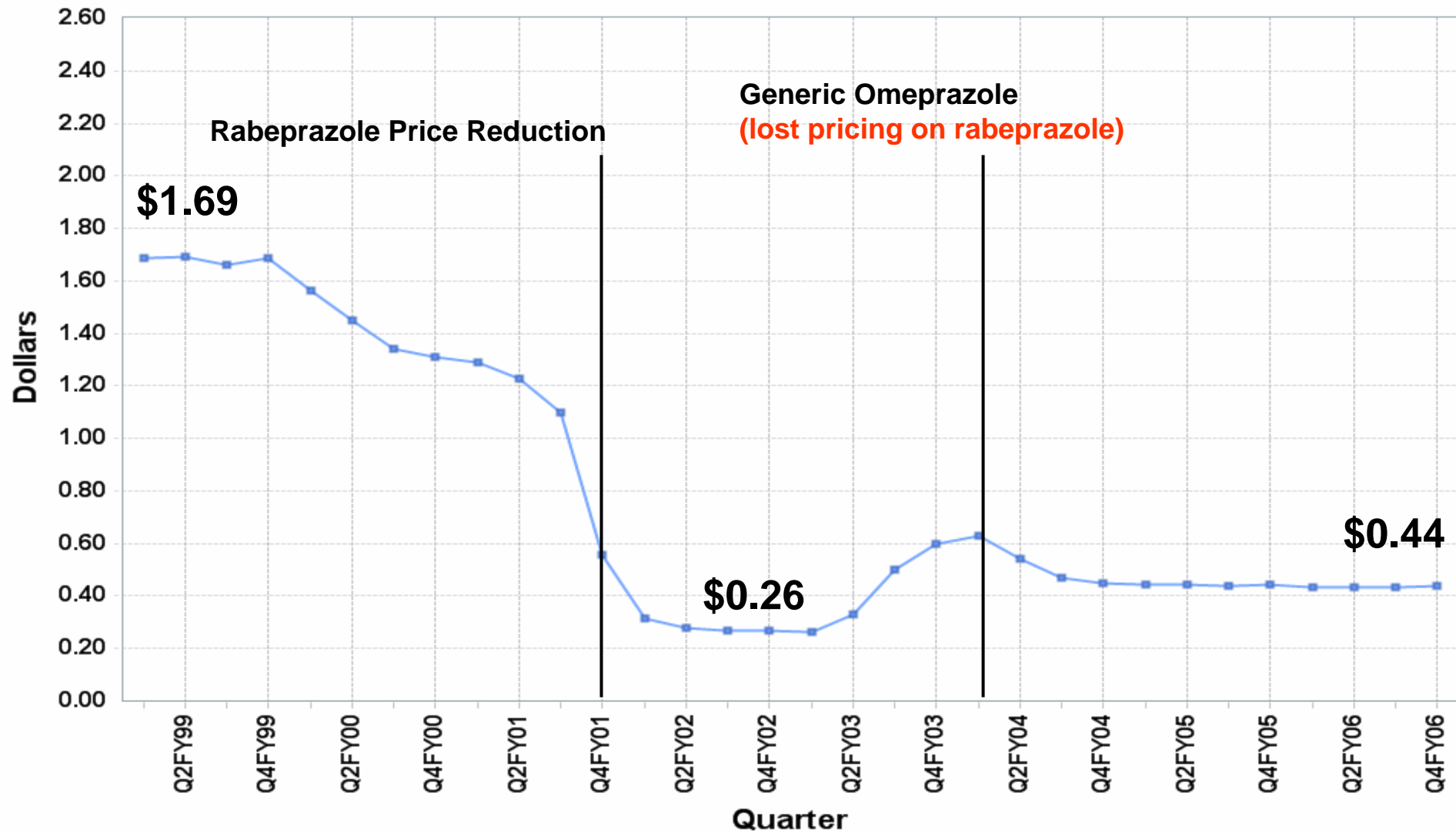
\* STATINS = Atorvastatin, Lovastatin, Simvastatin

# IMPACT OF CONTRACTING ON COST / UNIT FOR NSAH\*



\* NSAH = Non-sedating antihistamines Fexofenadine, Loratadine

# IMPACT OF CONTRACTING ON COST / UNIT FOR PPIs\*



\* PPIs = Proton pump inhibitors Omeprazole, Pantoprazole, Lansoprazole, Rabeprazole, Esomeprazole

# REFERENCE MATERIALS

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- **Department of Veterans Affairs (VA formulary policy):**

[http://vaww1.va.gov/vhapublications/ViewPublication.asp?pub\\_ID=117](http://vaww1.va.gov/vhapublications/ViewPublication.asp?pub_ID=117)

- **United States General Accounting Office (examples of reports on VA formulary issues):**

<http://www.gao.gov/cgi-bin/fetchrpt?rptno=GAO-01-183>

<http://www.gao.gov/cgi-bin/fetchrpt?rptno=HEHS-00-34>

<http://www.gao.gov/new.items/d01588.pdf>

<http://www.gao.gov/new.items/d02579.pdf>

- **National Academy of Sciences' Institute of Medicine's *Description and Analysis of the VA National Formulary*:**
- <http://www.nap.edu/books/0309069866/html/>

END