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Over the Counter Drugs, the New Tier Zero in Your Pharmacy Benefit Plan

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With many pharmacy benefit plans now considering whether to add a 4th tier for high priced specialty drugs, review and discussion also needs to be given to the other end of the pharmacy cost spectrum to see how costs can be reduced by promoting lower cost over-the-counter (OTC) drugs.

The FDA has set a goal to increase by 50 percent the conversion of prescriptions to over the counter (OTC) medications. This trend presents a significant opportunity for employers, union groups, health plans and other payers of healthcare to reduce their pharmacy benefit costs.

Today, drugs that in recent years were among the top 10 drugs in pharmacy budgets are now available as an OTC product at a significantly reduced total cost. Promotion or even coverage of these OTC alternatives can save both members and payers on their pharmacy costs.

Examples with Costs and Alternatives

Examples of highly utilized medications that are now available without a prescription are Claritin, a non-sedating antihistamine used for allergies, and Prilosec, a proton pump inhibitor (PPI) used to treat gastrointestinal disorders. Prior to going OTC these drugs were both number one in their respective drug classes. Claritin (generic name loratadine) has been available as an OTC drug since late 2002. Prilosec (PrilosecOTC) was released to market in late 2003.

Claritin is marketed under many names; however, all contain the same active ingredient of loratadine (see chart below). Also of note is Clarinex, the follow-up drug made and marketed by the manufacturer of Claritin. Clarinex is a metabolic derivative of Claritin and, according to medical experts, when you take Claritin, Clarinex is produced. Some plans have questioned the value of covering Clarinex as a preferred brand drug as may be recommend by their PBM, or in some cases, the value of any coverage at all for the drug.

Plans that have put in cost control measures, such as placing all drugs in the non-sedating antihistamine class on the higher third tier copay to incent members to use OTC Claritin, need to be aware of more expensive alternatives and to monitor their utilization. For example Singulair, a drug originally prescribed for asthma, is now indicated for allergies. Based on the costs in Table 1 from drugstore.com (as of 3/8/06 unless otherwise noted) one can see that having members move from Clarinex to Singulair could have a negative effect on the plan.

Table 1

Market Name	Active Ingredient	Manufacturer	Monthly Cost	Prescription or OTC
Claritin	loratadine	Schering-Plough	$22.99	OTC
Alavert	loratadine	Wyeth	$15.99	OTC
Store Brand	loratadine	Various	as low as $2.50	OTC
Clarinex	desloratadine	Schering-Plough	$76.99	Prescription
Singulair	montelukast	Merck	$89.99	Prescription

Table 2

Market Name	Active Ingredient	Manufacturer	Monthly Cost	Prescription or OTC
Prilosec	omeprazole	Astra-Zeneca	$115.99	Prescription
Omeprazole	(prior to approx. 5/06)	Various	$93.99	Prescription
Omeprazole	(after 5/06)	Various	$22.99	Prescription
PrilosecOTC	omeprazole	P&G	$17.85	OTC
Nexium	esomeprazole	Astra-Zeneca	$129.99	Prescription

Prilosec (generic name omeprazole) is another example of a drug marketed under various forms and names (see Table 2). A generic omeprazole was released several years ago, but due to legal issues surrounding the brand's patent protection, the generic drug kept a higher price for a longer period than normal. The maker of Prilosec then released Nexium, a follow-up brand drug that has been very successfully marketed as a replacement for people on Prilosec. As with many follow-up drugs Nexium, which is closely related to Prilosec, is an isomeric derivative and according to medical sources when you dissolve one of these drugs you get the other.

A few plans took the approach of moving all branded drugs in Prilosec's class to the higher third tier copay. Concerns over the loss of rebate payments in this drug class can be a barrier to moving drugs to the third tier if a payer does not have a coordinated message to members and providers, as well as other incentives to take the lower cost drugs in this class. Some payers took a more customer friendly approach and covered PrilosecOTC as a generic drug to entice its use.

Future OTC Conversions and Strategies

Other drugs under consideration for future OTC conversions are: Xenical for weight loss; Flonase allergy spray; Prevacid, another proton pump inhibitor (PPI) drug in Prilosec's drug class; as well as Allegra and Zyrtec, additional non-sedating antihistamines (NSA) in Claritin's drug class.

Your Pharmacy Benefit Manager (PBM) partners and/or consultants should be helping you watch these pending OTC conversions for potential cost savings for your plan. The payer will need to look at the alternatives of whether they want to promote the continued use of these drugs when they become available as OTC, or consider covering the drugs like a generic drug with a low copay for members.

Promotions of these OTC drugs can take several forms. One method is to contact the manufacturer of the OTC drugs to see if it has a coupon program for sending coupons to your plan's membership who could benefit from consideration of these OTC alternatives. Many manufacturers of OTC products have programs where patients can receive a high value coupon that is not available to the general public. While this type of program is "member friendly," it is not available through all PBMs and does have the potential to jeopardize rebate payments.

Another steering method is to consider a cost control mechanism such as prior authorization or step therapy through the PBM where the member would be required to try the OTC drug prior to getting coverage of other higher cost prescription alternatives. Programs like this have higher member disruption as compared to coupon programs, higher potential for rebate loss, and are not available from all PBMs.

Case Studies

Promotion of these OTC alternatives is often left up to the payer or employer group to handle. Although some PBMs will recognize and continue

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to promote these former number one drugs in their respective drug classes that are now available OTC, many leave these drugs off the radar after they go OTC. The following are three case studies of various results from our clients.

Client A
This client did nothing additional for OTC loratadine and PrilosecOTC, and left all preferred brand alternatives on tier 2 in both drug classes. This resulted in a 40 percent decrease in the NSA utilization, which was reflective of changes in the national market. However, this apparent savings was offset by increased Singulair use. Singulair, an asthma drug now indicated for allergies, is now in this client's top-10 usage list, and has offset a significant portion of the 40 percent decrease for a net decrease of approximately 15 to 20 percent in total allergy-related expenditures. For the PPI drug class they saw no change.

Client B
This client performed continuous promotions of OTC loratadine and PrilosecOTC with letters and coupons. The NSA brand alternatives (and Singulair) moved from tier 2 to tier 3, but PPI brand alternatives stayed on tier 2. The NSA drug class experienced a 50 percent decrease in costs with a significant drop in utilization and movement to Singulair, mitigated by placement of that drug on tier 3.

PPI results were minimal with Nexium and other PPIs use still being significant. The major issue in this class is that cost for PrilosecOTC is greater than member cost of copays for some prescription alternatives.

Client C
This client decided to cover both OTC loratadine and PrilosecOTC at the generic copay. It also did heavy promotions to members and providers. All brand alternatives moved to tier 3, with additional step therapy on PPIs and lockouts on 'follow-up' brand alternatives. The results were rather impressive.

For the NSA drug class, OTC loratadine showed a market share of 11.8 percent versus the 6.0 percent national average. These results are probably understated because the cost of OTC loratadine is lower than the generic copay, so some OTC purchases are not submitted for reimbursement, bypassing the claims recording systems. Clarinex (follow up brand to Claritin) has a market share of 0.3 percent versus the 7.9 percent national average. Overall, this client has significantly less utilization at a slightly lower cost for an estimated combined decrease of 60 percent in the costs of its NSA class over a three-year period!

There have been many opportunities for OTC savings in the recent past and they are expected to continue in the near future.

In the PPI class the results were even better. PrilosecOTC is the top PPI in that drug class with PrilosecOTC at a market share of 65.4 percent versus the 5.7 percent national average. Nexium (follow-up brand to Prilosec) has a market share of only 4.9 percent versus the 29.5 percent national average. Despite a higher utilization of PPIs, this client's overall per unit cost is significantly lower with an estimated combined decrease of 49 percent in its costs over 4.5 years!

Conclusion

There have been many opportunities for OTC savings in the recent past and they are expected to continue in the near future. When a drug goes generic, both payers and members can benefit from significant savings, which occur as a natural consequence of the lower generic cost and the existing processes. However, when a drug goes OTC it is up to the payer and its pharmacy benefit partners to take action to capture the potential savings that can be realized.

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