

Rx Basics:

Prescription Drug Coverage



If you have health insurance or Medicare, most (or all) of what you pay for a prescription drug is not determined by your pharmacy. Most insurance companies and employers try to control rising drug costs through the drug coverage provisions of their health insurance plans.

Deductible vs. Copay

Many health insurance plans have a separate annual deductible for prescription drugs that generally begins each January 1. Until you have satisfied your drug coverage deductible, you must pay 100% of all prescription costs out of pocket. Once you satisfy the deductible, you share the cost of covered drugs with the insurance plan through the copayment established in your plan.

Each Insurance Plan Has a Formulary

A formulary is a list of medications that your insurance company (or Medicare/Medicaid) will cover. This list is usually modified every few months. The drugs in a formulary are often divided into groups according to the amount of your copayment. A typical formulary might have these tiers:

Group	Drugs	Co-pay
Level 1	Generic drugs	\$
Level 2	Preferred brand-name drugs	\$\$
Level 3	Non-preferred brand-name drugs	\$\$\$

Most formularies don't include so-called "lifestyle drugs" drugs that aren't considered necessary to improve health. Weight-loss, fertility and hair-growth drugs are examples of such drugs. *Your insurance company won't pay for any drug that isn't part of its formulary, even if prescribed by your doctor.*

Brand-name Drugs and Generic Drugs Have Different Costs

A drug manufacturer has a 20-year monopoly (patent) on sales of a brand-name drug in the United States starting from the date on which the patent application was submitted. When the patent period nears expiration, other companies may seek FDA approval to make and sell the drug. The new versions of the drug are usually known by its "generic" name (usually its chemical name). For example, the generic name of Claritin is loratadine; the generic name of Advil is ibuprofen.

Generic drugs are chemically the same as brand-name drugs but usually are far less expensive because the companies that produce them don't have to pay for research/development and clinical trials.

Preferred vs. Non-preferred Drugs

Two or more brand-name drugs are often available to treat the same medical condition. If your insurance company can get one less expensively than the other, that drug becomes a preferred drug, and the other is non-preferred. You will usually pay more out of pocket for non-preferred drugs.

How to avoid Insurance-Related Prescription Problems:

- **Bring your insurance plan's formulary to your doctor appointment.**
Make sure any brand-name drug(s) your doctor prescribes are on your insurance plan's formulary. If your doctor prescribes an expensive non-preferred drug, ask if there is a less expensive preferred medication that will work just as well. You can find your plan's formulary on its web site or you can call your insurance company to ask if a specific drug is covered and what its co-pay is.
- **Use a pharmacy that participates in your insurance plan.**
Insurers usually negotiate deals with certain pharmacies. If you have your prescription filled at a non-participating pharmacy, you may pay a higher price.
- **Understand your insurance plan's deductibles and copayments for prescription drugs.**
If you have a separate prescription drug deductible, be prepared to pay all prescription costs out-of-pocket until you meet your deductible.