

Out-of-Pocket Costs and Specialty Medications

What is a Formulary?

- » List of prescription medications covered under an insurance plan.
- » May include hundreds of medications, including inexpensive generic drugs, as well as costly brand-name medications.
- » Formularies can vary across insurance plans, with some plans covering a wider range of drugs than others.
- » List of medications can change over time if drugs are added to or removed from the formulary.

What is a Formulary Tier?

- » Most prescription drug plans categorize the medications they cover into groups called “tiers.”
- » Most formularies have three to five tiers.
- » More expensive drugs are placed on higher tiers.

Structure of a Standard Formulary

TIER 1	Included Drugs: Low-cost, Preferred generic drugs	PATIENT OUT-OF-POCKET COSTS: \$
TIER 2	Included Drugs: Preferred generic drugs	PATIENT OUT-OF-POCKET COSTS: \$\$
TIER 3	Included Drugs: Preferred brand name drugs, and non-preferred generic drugs	PATIENT OUT-OF-POCKET COSTS: \$\$\$
TIER 4	Included Drugs: Non-preferred brand drugs, and non-preferred generic drugs	PATIENT OUT-OF-POCKET COSTS: \$\$\$\$
TIER 5	Included Drugs: Specialty medications, and high cost, brand name and generic drugs	PATIENT OUT-OF-POCKET COSTS: \$\$\$\$\$

What is a Specialty Medication?

- » Specialty medications are typically found on the highest tier in a formulary.
- » Usually have one or more of the following features:
 - Expensive.
 - Can be difficult to administer.
 - May require special handling.
 - May have side effects that need close monitoring.

How do Formulary Tiers Affect Your Out-of-Pocket Costs at the Pharmacy?

- » Out-of-pocket (OOP) costs—the amount of money you pay at the pharmacy each time you fill a prescription—are higher for medications on higher tiers.
 - Drug plans may require a \$10 co-pay for medications on tier 1.
 - A co-pay is a fixed amount that you pay when you fill a prescription.
 - Drug plans may require 33% coinsurance for a specialty medication on tier 5.
 - Coinsurance is a percentage of the cost of the medication that you pay when you fill a prescription.

Steps You Can Take to Manage Your OOP Medication Costs

1. Choose your drug plan carefully. Review the formulary and make sure the medications you need are covered.
2. Understand your drug plan, what tier(s) your medications are on and what your OOP costs will be. This is especially important if you change plans or have a new employer.
3. Contact your pharmacy or insurance plan each year to be sure that your medications are still on your plan's formulary and on the same tier.
4. Use a pharmacy in the drug plan's "preferred pharmacy network;" this may lower your OOP costs.
5. Ask your insurance plan if ordering your medications through an approved mail order service can reduce your OOP costs.
6. Talk and be honest with your healthcare team about your ability to afford the OOP costs for medications; they may be able to help you find financial assistance.
7. Ask your healthcare team about financial resources available. These may include pharmaceutical company patient assistance programs or charitable assistance programs.

The PAN Foundation

The mission of the PAN Foundation is to help underinsured people with life-threatening, chronic and rare diseases get the medications and treatment they need by paying for their out-of-pocket costs and advocating for improved access and affordability.

For more information about the PAN Foundation, visit www.panfoundation.org.