



July 2008

RE: Understanding Prescription Costs

Dear Valued Client:

Prescription costs have risen more over the past several years than the other major health spending categories. With fierce competition and great financial incentives to develop new drugs, pharmaceutical companies have increased their research and development budgets. Factor in FDA approval, manufacturing, advertising and distribution, and it takes years for a drug company to recapture the estimated \$800 million investment to bring one drug to market.

The good news is that the price you pay for your prescriptions is not out of your control. You have many options and discussing them with your doctor may reduce out-of-pocket drug costs.

The amount of your copayment depends on your specific coverage and the category of medication you receive. Prescription medications are categorized within tiers and each tier is assigned a copayment. For example:

- Tier 1 is your lowest copayment option. For the lowest out-of-pocket expense, you should always consider Tier 1 medications if you and your doctor decide they are appropriate for your treatment.
- Tier 2 is your middle copayment option. If you are currently taking a medication in Tier 2, ask your doctor whether there are Tier 1 alternatives that may be an available option.
- Tier 3 is your highest copayment option. Sometimes there are alternatives available in Tier 1 or Tier 2.

You can save money by remembering to follow these easy steps:

- Be sure to ask your doctor to consider prescribing medications on the Preferred Drug List, which is a list that identifies those prescriptions for which benefits are available. Medications on the Preferred Drug List generally cost you less money than the drugs which are not.
- Some plans do not cover non-preferred drugs, while other plans may cover them, but at a higher cost. If you are taking a drug that is not covered or non-preferred, ask your doctor about alternatives.
- Ask your doctor if there is a generic equivalent to the brand-name drug you are taking. Be sure to ask about generics whenever you are prescribed a new medication as well.
- Some drugs which previously required prescriptions are now available over the counter. Ask your doctor if these are right for you.
- Covered prescription medications may be filled or refilled through a mail order program. You may receive up to a 90 day- supply, possibly at a discount.

Other important things to remember:

- Each prescription copay is for a 30 day supply. If your doctor prescribes a 31 day supply, you will pay 2 copays.
- Some prescription medications require prior authorization before they may be covered by your prescription plan. Prior authorization helps ensure the appropriate use of medications and may even lower your copay.
- Many prescriptions have quantity limits, so be sure to ask your doctor.

Getting the most out of your plan begins with understanding your Prescription Drug benefits. Once you do, you can be sure to access the medications you need at the most affordable price. Attached are links to each carrier's Preferred Drug List.

Sincerely,

PSI CONSULTANTS, LLC