

# VALUE BASED FORMULARY DESIGN (VBFD): IS PREMERA A VOICE CRYING IN THE WILDERNESS?

2015 ISPOR Annual Meeting  
ISPOR Issue Panel  
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## Agenda

- Concept and Application
- Value-Based Formulary Tiers
- Environment
- First Year Results
- Future directions

## Concept:

*Align out-of-pocket costs with the value of health services*

- Application: pharmaceuticals assigned to one of four Value-Based Formulary (VBRx) tiers based on ICERs
  - ICERs documented in economic monographs drawn up by Premera staff
    - Brief clinical review
    - Review of current economic evidence
  - Evidence presented to an evaluated by an independent Value Assessment Committee
    - Accept and/or modify staff recommendations
    - Send back for more analysis

*Formulary has been in operation since July 2010*

## Value-Based Formulary Tiers

<p><u><i>Standard Thresholds*</i></u></p>
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**Tier 1: Highly Cost-effective:**

<\$10,000/QALY

**Tier 2: Cost-effective:**

<\$50,000/QALY

**Tier 3: Somewhat cost-effective:**

<\$150,000/QALY

**Tier 4: Minimally cost-effective:**

>\$150,000/QALY, or insufficient evidence  
to determine cost-effectiveness

\*Tier thresholds are explicit but flexible. A “preventive list” similar to those used by other plans is included with VBRx. More liberal thresholds are applied to ultra-orphan drugs.

## Environment

*Competitive commercial insurance environment, complicated by implementation of Affordable Care Act*

- Offered to Self Funded Employer Groups
- Current customers
  - Premera Associates
  - 2 Washington state healthcare provider organizations
- Interest in adoption of VBRx for many employers was cooled by uncertainties surrounding
  - 2012: SCOTUS decisions on “ObamaCare” and US Presidential Election
  - 2012-Present: no hard evidence to address effectiveness in controlling/mitigating healthcare cost trends
  - 2013-2014: Implementation of ACA

## First Year Results

*Developing the Proof Points using Premera Associate experience*

- Plan pharmacy payments reduced
  - \$6.87 PMPM (3%) year over year in terms of actual spend
- Average member cost-shares increase
  - 12% on average
  - Significantly less for diabetics, users of blood pressure and cholesterol medications(5%, 8%, and 2% respectively)
- No negative changes to adherence to these drug therapies

*Sullivan SD et. al. Design, Implementation, and First-Year Outcomes of a Value-Based Formulary, J Manag Care Spec Pharm. 2015 Apr;21(4):269-75.*

***Coming Soon: Independent, comprehensive Three Year Analysis***

## Manufacturer Responses

*to modeling requests has been variable; trend is toward easier access to manufacturer models*

Themes:

- Manufacturer Corporate Compliance policies impact access to models
  - Leave behind
  - Medical Science Liaison supervised only
- Differences among manufacturers in integration levels of US and Global Outcomes divisions
- Highly variable model quality
  - Some manufacturers open to our advice and consultation
  - Others create poor models and then “go dark”
  - Still others don’t provide modeling of any kind

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7

## Future directions

*Depend on independent assessment of VBRx performance*

- Re-launch
  - Sales efforts will be data driven, not theoretical
  - Expand cadence and quality of our economic monographs
- Reconfigure
  - Based on opportunities for improvement brought forward
- Retire
  - If found to be dominated by standard plan designs in terms of programmatic value

*Re-launch appears to be the most likely scenario*

*Retirement seems highly unlikely*

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8