

Pharmacy Terminology
2010 Prescription Drug Benefit Cost and Plan Design Survey Report

TERMS ARE LISTED IN ORDER THEY APPEAR IN 2010 SURVEY.

Active Employees Only – Plan members who are currently working.

Retirees Age 65 and Older – Plan members who have retired and are 65 years of age or older.

Active Employees and Retirees Under Age 65 Combined – Working and retired plan members under age 65 who participate in the same drug plan with the same plan design.

Other plans may include consumer-directed health plans or workers compensation.

Fully-insured Plan – Employer pays a monthly premium to health plan, insurance carrier or pharmacy benefit management company who, in turn, is responsible for administering and paying claims for covered expenses.

Self-insured or Self-funded Plan – Employer is responsible for paying all of its medical and drug claims. The term comes from self-funding the financial risk of these costs.

Preferred Drug List – List of drugs available to plan members with a lower copayment than drugs not on list. This list also is known as a formulary.

Maintenance Prescriptions – Drugs used to treat chronic diseases or conditions.

Retail Cost Share (30-day Supply) – Cost share amount for 30 days of a prescription therapy dispensed at a retail pharmacy.

%: Cost sharing amount is a percentage of total cost of prescription.
\$ Min.: Minimum cost sharing amount.
\$ Max: Maximum cost sharing amount.

Mail Cost Share (90-day Supply) – Cost share amount for 90 days of a prescription therapy typically dispensed at a mail-order pharmacy. Some plan designs may allow for this at a retail pharmacy.

Generic Drug – Chemically equivalent copy designed from a brand-name drug where the patent has expired. Generics are typically less expensive and sold under the chemical name for the drug, not the brand name.

Brand Drug – Prescription drug covered by patent exclusivity.

Preferred Brands – Brand-name drugs included on plan's preferred drug list.

Non-preferred Brands – Brand-name drugs not included on plan’s preferred drug list.

Lifestyle Drugs – Drugs that are not medically necessary but used to improve the quality of life.

Specialty Drugs– Drugs manufactured through biologic processes to treat chronic, complex or life-threatening conditions. Also called biotech drugs.

Nonformulary Drugs – Drugs not included on plan’s drug list or formulary.

AWP Discount % – (AWP Minus ____%) – The amount a drug plan pays to pharmacies for the ingredient cost of a prescription and commonly expressed as a percentage off of Average Wholesale Price.

Average Wholesale Price (AWP) – The published or suggested cost of pharmaceuticals charged to a pharmacy by a large group of pharmaceutical wholesalers. The AWP is the basis for most third-party prescription reimbursement. It is analogous to a sticker price on a new automobile. Pharmacies do not pay for their drugs using the AWP. A markup of discount from wholesale acquisition cost (WAC) is the current method.

Dispensing Fee – Contracted amount in a traditional third-party prescription plan, usually in the \$2.00 to \$3.00 range, that is paid to the pharmacy in addition to the negotiated ingredient cost of the prescription.

MAC Pricing Applied – Maximum Allowable Cost (MAC) list used to price generic prescriptions.

Maximum Allowable Cost (MAC) – The unit price that has been established for a generic drug. The same MAC price applies to all versions of identical generic drugs. MAC prices were created because the cost of identical generic drugs may differ from distributor to distributor.

Gross Cost of Script – Total amount paid for a prescription.

Net Cost (after copayments) of Script – Total amount paid for prescription less the cost sharing amounts.

Dollar Limit on Coverage – Price cap for amount of money plan will pay for prescription benefit.

Other Coverage Limitation(s) – Plan design limits on prescription coverage such as number of days supply allowed.

Over-the-counter (OTC) Drug – U.S. Food and Drug Administration-approved drugs that do not require a prescription to be purchased.

Diabetic Supplies – Medical materials used for treatment of diabetes, specifically glucose meter strips, syringes and needles.

Growth Hormones – Prescription hormone supplements used to treat patients with growth deficiencies.

Hair Growth Treatment – Prescription drugs used to stimulate hair growth.

Infertility Drugs – Prescription drugs used to increase fertility.

Erectile Dysfunction – Prescription drugs used to treat erectile dysfunction.

Experimental/Investigational Drugs – Prescription drugs being tested in clinical trials that may or may not be approved for sale by the U.S. Food and Drug Administration.

Injectables – Prescription drugs that are injected by patient or provider. Often used as a synonym for high cost specialty or biotech drugs because the majority of these drugs are administered via injection.

Non-sedating antihistamines – Prescription and over-the-counter drugs used to treat allergies.

Oral Contraceptives – Prescription drugs used to avoid pregnancy.

Proton pump inhibitors – Prescription and over-the-counter drugs used to treat gastroesophageal reflux disease and peptic ulcer disease.

Retin A® -- Brand-name dermatology drug commonly prescribed for cosmetic purposes.

Sleep Disorder – Prescription drugs used to treat sleeping problems.

Smoking Cessation – Prescription drugs used to support smoking cessation.

Weight Loss/Gain – Prescription drugs used to manage eating and weight disorders.

Academic Detailing of Prescribers – Fact-based information about prescription drugs provided by credentialed clinicians to physicians and other prescribers. Traditional "detailing" refers to the process pharmaceutical manufacturer sales representatives use to promote their brand-name drugs.

Copayment Relief or Waivers – Reduced or zero-dollar copayments commonly used as incentives for plan members to use generic drugs and adhere to medication regimens.

Disease Management – A systematic approach to providing care to a population of patients with a specific disease. Patient and provider education, pharmaceutical care,

continuous quality improvement, practice guidelines, patient monitoring, outcomes assessment, and case management all play key roles in disease management.

Dose Optimization – Pharmacist-driven program to ensure patients are taking the best dosages and strengths of a given medication to manage costs of drug therapy.

Face-to-face Pharmacist Consults – Patient counseling sessions conducted as part of disease or care management programs to encourage compliance with treatment regimens.

Generic Sampling – Providing samples of generic drugs to medical offices and clinics to encourage the prescribing of generic drugs when medically appropriate.

Outbound Telephone Calls – Telephone calls made to plan members as part of disease or care management programs to encourage compliance with treatment regimens.

Pill Splitting – Cutting prescription medications in half to double the number of days supply from one prescription. This practice, which decreases total cost of the drug therapy, is commonly used to manage the cost of cholesterol-reducing medications.

Prescriber Profiling – Assessment of prescribing patterns to identify areas to manage utilization and cost of prescription drugs. Drug claim data is cut by prescriber (physician, physician assistant or nurse practitioner) to identify outliers in prescribing patterns.

Prior Authorization – A process where the prescription claim is initially denied, but provides a mechanism for the claim to be covered via criteria established by the managed care organization (MCO) or the pharmacy benefit manager (PBM). This requires action from the physician, pharmacist, or patient to obtain coverage.

Quantity Limits – A limit on the number of pills or dosages of prescription drug allowable on a per claim basis.

Refill Too Soon Supply Limit – A system edit that rejects a drug claim if a refill is requested before a predefined number of days have passed since the initial fill date of prescription.

Retrospective DUR – Drug utilization review conducted after a prescription is adjudicated.

Step Therapy – Treatment guidelines used to recommend drug therapy beginning with the least expensive therapy. More expensive therapies are only used when the patient fails to respond to the first-line drug.

Therapeutic Substitution – A pharmacist-initiated change in a dispensed drug when a medically equivalent drug is available for the prescription presented. State prescribing laws address the required physician permission for substitutions.

Annual Deductible – Amount a plan member pays before reimbursement begins.

Maximum Annual Benefit (MAB) – Total amount of expenses a plan will pay.

Annual Out-of-Pocket (OOP) Limit – The cap on the total amount a plan member pays.

Guarantee Rebate Per Retail Script – Pharmacy benefit manager guarantees a flat-dollar amount of rebate for each retail prescription.

Guarantee Rebate Per Mail Script – Pharmacy benefit manager guarantees a flat-dollar amount of rebate for each mail-service prescription.

Actual Rebate Amount Per Retail Script – Actual dollar amount of rebate for each retail prescription.

Actual Rebate Amount Per Mail Script – Actual dollar amount of rebate for each mail-service prescription.

Specialty (high cost injectable drugs) Pharmacy Benefit – Coverage of drugs manufactured through biologic processes to treat chronic, complex or life-threatening conditions.

Retiree Drug Subsidy – Amount of money the U.S. Centers for Medicare & Medicaid Services pays employers to subsidize employers' funding of drug benefits for Medicare-eligible employees and retirees.

Prescription Drug Plan (PDP) – U.S. Centers for Medicare & Medicaid Services-certified drug benefit program for the Medicare-eligible population.

Wrap Around Coverage – Drug benefit coverage provided by employers to Medicare-eligible employees and retirees to supplement Medicare Part D coverage.